FINANCIAL TIMES

Central America
Momentum building for trade integration
Page 4

Internet2 and TEN-34
Super-highways to replace today's slow roads
Information Technology, Page 8

German stock market
Driven by a new public enthusiasm for shares
Page 14

Gold
The view from Barrick's Peter Munk
Page 20

World Business Newspaper http://www.FT.com WEDNESDAY JULY 9 1997

Thailand seeking up to $20bn in rescue package

Thailand is trying to put together a package of loans and credits from foreign governments worth between $10bn and $20bn to raise its foreign reserves and help clean up an ailing financial sector following a de facto 15 per cent devaluation of the baht when it floated the currency. If realised in full, the plan would be the largest financial rescue package since 1995 when the US and the International Monetary Fund arranged a $50bn financing plan for Mexico after its peso devaluation. Page 12; Eye of the storm, Page 11;World stocks, Page 30

More Holocaust money found: Switzerland's banking ombudsman Hanspeter Häni said owners have been identified for a further SFr17m in long dormant Swiss bank accounts, with SFr10m of that belonging to 28 Holocaust victims. The discoveries dwarf sums he had reported eight months ago. Page 12

Execution stirs new fears in Cambodia

Fears were raised for the safety of Cambodian leaders loyal to co-prime minister Prince Norodom Ranariddh, left, after it emerged that a senior member of his ousted royalist party had been executed after being arrested by rival troops. The execution overshadowed a hands-off plea to outside powers by Hun Sen, the co-premier who staged this week's coup. Page 5

HK election formula challenged: Hong Kong's new government announced arrangements for next year's legislative elections, combining a series of electoral colleges with proportional representation for directly elected seats. The plans came under fire from the largest pro-democracy party, which said the administration was aiming to curb its influence. Page 5

GEC, UK's top electronics group, announced a restructuring that included proposals for a $6.7bn stock market flotation for GEC Alsthom, its power engineering and transport joint venture with Alcatel Alsthom of France. Page 13

Emu hopes lift Italian bonds: Italian bond prices surged higher on the back of renewed confidence that Italy will join the first wave of European monetary union in 1999. International bonds, Page 18

US claims evidence of China meddling: US senator Fred Thompson, chairman of the governmental affairs committee, said the Congress had firm evidence that the Chinese government secretly sought to channel money illegally into the US to influence the outcome of elections. Page 12

Indian coalition split on petrol prices: India's United Front coalition, already in disarray since the split in its largest component, the Janata Dal party, admitted it had failed again to agree on the sensitive issue of raising petroleum prices as a means of cutting a growing Rs155bn ($4.3bn) oil subsidies deficit. Page 5

Japan to pursue nuclear programme: The Japanese government is set to strengthen commitment to its controversial fast-breeder nuclear reactor programme, despite a series of accidents at nuclear facilities. The country's main fast-breeder reactor, known as Monju, was shut down in late 1995 following a leak of coolant and allegations that some officials had doctored videos of the accident. Page 5

Troops control Karachi streets: Armoured personnel carriers appeared on the streets of Karachi as Pakistani troops and police tried to curb violence between rival factions of an ethnic minority that has left more than 150 dead. Hundreds of roadblocks were set up across the capital and dozens of people were arrested.

Sanwa Bank is developing Japan's first telephone banking system and hopes to use computers that can recognise a customer's voice for security checks on a 24-hour automated phone banking service. Page 13

French papers turn to internet: Two French national daily newspapers, Le Monde and Liberation, put their pages on the internet yesterday when a strike by distributors prevented circulation.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7,934.48	(+75.99)
NASDAQ Composite	1,479.36	(+8.64)
Europe and Far East		
CAC40	2,929.81	(-17.85)
DAX	4,006.48	(+33.56)
FTSE 100	4,758.5	(-52.2)
Nikkei	19,853.88	(+148.72)

■ US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.072%
Long Bond	100¼
Yield	6.562%

■ OTHER RATES

UK: 3-mo Interbank	7%	(same)
UK: 10 yr Gilt	101 13/32	(101¼)
France: 10 yr OAT	100.17	(100.69)
Germany: 10 yr Bund	103.28	(103.41)
Japan: 10 yr JGB	104.5474	(104.937)

■ NORTH SEA OIL (Argus)

Brent Dated	$18.40	(18.06)

■ GOLD

New York: Comex		
(Jul)	$320.2	(318.1)
London:		
close	$320.95	(318.95)

■ DOLLAR

New York: lunchtime		
£	1.689	
DM	1.76015	
FFr	5.9395	
SFr	1.466	
Y	112.75	
London:		
£	1.6911	(1.6846)
DM	1.7572	(1.7448)
FFr	5.928	(5.8629)
SFr	1.4648	(1.4583)
Y	112.590	(112.375)
Tokyo close:	Y 113.085	

■ STERLING

DM	2.9715	(2.9393)

Poland, Czech Republic and Hungary set to join alliance by April 1999

Ex-Warsaw Pact nations invited to be Nato members

By David Buchan and David White in Madrid and Chrystia Freeland in Moscow

EU expansion funds ....Page 2
Ian Davidson ....Page 10

Nato yesterday breached a divide that has marked Europe for half a century by inviting three members of the former communist Warsaw Pact to join the alliance.

Poland, the Czech Republic and Hungary are due to complete negotiations by December and to join as full Nato members by April 1999.

Underlining the historical importance of the move, President Bill Clinton said: "We have taken a giant step to create a Europe that is undivided, democratic and at peace for the first time since the rise of the nation state."

The decision came after a hard-fought compromise at the Madrid summit with those Nato countries, led by France, which sought to include Romania and Slovenia in a more ambitious enlargement. Nato leaders promised "further invitations in coming years", probably at its next summit in 1999.

A co-operation pact between Nato and Russia paved the way for yesterday's decision. But Mr Yevgeny Primakov, Russian foreign minister, underlined his country's lingering opposition to enlargement with an outburst aimed at appeasing the domestic nationalist lobby.

"Despite the fact that we have signed a broad, balanced agreement with Nato, we still consider expansion the biggest mistake in Europe since the end of world war two," he said.

The admission of Poland, Hungary and the Czech Republic still leaves nine disappointed candidates from central and eastern Europe. The summit communiqué gave a special approving mention of Romania and Slovenia, which Mr Jacques Chirac, the French president, took as meaning they would get "priority" treatment in 1999. But at the insistence of the US and the UK, Nato steered clear of a specific commitment to any particular country.

Mr Javier Solana, Nato secretary-general, described the summit as the most important in Nato's history. But yesterday's wrangling over new entrants promises a difficult few years for Nato as its membership increases and its borders move closer to Russia.

Continued on Page 12

Positive prospects: US president Bill Clinton, right, in upbeat mood with Spanish prime minister José María Aznar during the opening session of the Nato summit in Madrid. 'We have taken a giant step to create a Europe that is undivided, democratic and at peace'. Clinton said Picture Reuters

ING pays $2.2bn for US insurer

By Barbara Smit in Amsterdam

ING, the Dutch banking and insurance group, yesterday agreed to pay $2.2bn for US insurer Equitable of Iowa (EOI).

The deal will roughly double the size of ING's life insurance business in the US, with premium income rising to $4.3bn and assets under management to about $20bn.

Mr Aad Jacobs, ING chairman, said the two companies complemented each other "perfectly" in terms of product range, distribution channels and geographical spread. While ING's US life insurance business concentrates on the high and low-income segments, EOI is strong in the middle-income area.

"The US life insurance market is the largest in the world and also the most innovative," said Mr Jacobs. "ING could not possibly ignore it."

Last year EOI reported premium income of $2.1bn and net profits of $123m.

The purchase gives ING a strong presence in the US market for variable annuities, which are linked to the performance of capital markets and enjoying popularity because of strong equity prices. Analysts predict that sales of these products will grow at around 15 per cent annually.

The acquisition, at $68 a share, will be 60 per cent financed through ING shares and 40 per cent in cash. About half of EOI's shares are in the hands of family members of Mr Fred Hubbell, the chief executive.

Mr Heinie Hakker, analyst at BZW, said: "The acquisition seems to make perfect sense from a strategic point of view, Equitable is a quality outfit and the price – fifteen times 1998 earnings – is also reasonable".

ING is still looking for takeover targets in the French and German banking sectors. However, Mr Godfried van der Lugt, ING board member, said that the candidates were rare and often too expensive.

"ING's advantage is that it

Continued on Page 12
Insurers branch out, Page 15

Germany near to Eurofighter go-ahead

Cabinet expected to approve DM850m for joint aircraft defence programme

By Ralph Atkins in Bonn and George Parker in London

The German cabinet is expected on Friday to give formal backing for the Eurofighter aircraft programme, ending months of frustrating uncertainty for its partners in the $66bn defence project.

The go-ahead follows a deal thrashed out between Mr Theo Waigel, Germany's finance minister, and Mr Volker Rühe, defence minister, over the financing for the project until 2001.

The future of the Eurofighter – a joint project also including the UK, Spain and Italy – had been thrown into doubt because of pressure on Germany's finances caused by high unemployment and difficulties meeting criteria set for

Eurofighter: uncertainty over $66bn project set to be lifted

members of the planned European single currency. Some 75,000 jobs were at stake.

Germany is expected to buy 180 Eurofighters and Friday's cabinet meeting should approve a federal budget for next year that includes DM850m ($485m) for the project. Approval for the longer term financing of the project is expected to be given at cabinet meetings next week or later this month with formal contracts being signed after approval by the Bundestag, or lower house of parliament, due in September or October.

Still to be finalised is a separate deal between the German government and Daimler-Benz Aerospace (Dasa), one of the biggest investors. Dasa has offered to help finance Eurofighter through early repayment of more than DM1bn it received in launch aid to develop Airbus airliners. The funds had not been due to be repaid until after 2000.

However, Mr Rühe and Mr Waigel are understood to have reached an agreement about the defence ministry's budget which will allow formal government approval on Friday even if the Dasa contribution is not finalised.

Mr Waigel backed the Eurofighter because of its importance in securing jobs in Bavaria, the home state of his Christian Social Union. But Mr Rühe was determined the Eurofighter should not be built at the expense of the rest of his defence budget.

Friday's cabinet is expected to approve a small increase in the defence ministry's budget from DM46.3bn this year to DM46.8bn in 1998.

Meanwhile, senior British defence officials took the unusual step of briefing journalists on the merits of the aircraft, claiming it would turn out to be "a world-beater".

Although the Royal Air Force briefing was seen as an attempt to increase pressure on Bonn to proceed with the project, defence chiefs are also anxious the new UK government proceeds with its plan to buy 232 aircraft.

Observer, Page 13

China Southern to raise $520m

By John Ridding in Hong Kong

China Southern, one of China's three biggest airlines, is set to raise more than US$520m through the sale of shares in Hong Kong and New York, according to bankers involved in the deal.

The offer of just over 30 per cent of the airline's enlarged capital is one of the biggest overseas equity issues by a Chinese company and is set to test demand for so-called H-shares, those issued by mainland businesses and listed in Hong Kong.

Although H-shares have generally risen on the Hong Kong market over the past year, they have been overshadowed in recent months by red-chips, shares of Hong Kong arms of mainland companies, which surged ahead of last week's return to China.

Speaking after the launch of investor presentations, bankers said proceeds from the China Southern issue would fund the purchase of new aircraft and repay outstanding loans.

Pricing of the issue is expected on July 25, with listings in Hong Kong and New York expected by the end of the month.

Some of Hong Kong's biggest companies have given their support to China Southern, agreeing to take a combined stake of just under 10 per cent as part of the issue. These strategic investors include New World Development, Sun Hung Kai and two companies from Mr Li Ka-shing's business empire – Hutchison Whampoa and Cheung Kong.

Under the terms of the issue, shares in China Southern will be tradeable in New York in the form of American Depositary Receipts, each representing 50 H-shares. The H-share issue will be priced between HK$3.75 and HK$4.75.

Based on the top end of the price-range, the issue will have a fully-diluted price-earnings ratio of 13.4 times prospective 1997 earnings. Analysts in Hong Kong said this was relatively high compared with regional carriers such as Cathay Pacific, which trades at a share price of about 10 times earnings.

Goldman Sachs (Asia) is global co-ordinator for the China Southern issue. ABN Amro Rothschild, Indosuez W I Carr and Tai Fook Securities are members of the international underwriting syndicate.

Bengang shares down, Page 15

CONTENTS

LONDON • LEEDS • PARIS • FRANKFURT • STOCKHOLM • MADRID • NEW YORK • LOS ANGELES • TOKYO • HONG KONG

Backstage US diplomacy brings pledges of respect for sovereignty at Nato summit

Breakthrough in Greek-Turk relations

By Bruce Clark in Madrid

Greece and Turkey, in the biggest breakthrough in their strained relations for a decade, yesterday pledged to respect one another's sovereign rights and renounce the use of force in dealing with another.

A statement by Turkey's President Suleyman Demirel and Mr Costas Simitis, the Greek prime minister, said both committed themselves to "peace, security and the continuous development of good-neighbourly relations".

The breakthrough was achieved under strong pressure from the US, which helped avert a war between the two countries in January 1996 over an uninhabited islet in the Aegean.

Mrs Madeleine Albright, the US secretary of state, paved the way with more than a week of quiet shuttle diplomacy which came to a head when she convened a meeting yesterday of the Greek and Turkish foreign ministers.

The two heads of government, both of whom were attending the Nato summit, came together afterwards and issued a six-point statement that included significant good-will gestures.

While the agreement looked certain to be attacked by hard-liners in both countries, it set a favourable tone for the high-level talks over the future of Cyprus which start near New York today.

The standoff between Greece and Turkey, whose armed forces clashed briefly in Cyprus in 1974, has severely undermined the south-eastern flank of Nato, to which both countries belong.

In a concession which Greece has long sought from Turkey, the two countries pledged to settle their differences "by peaceful means, on the basis of mutual consent and without the use of force or the threat of force."

Turkey won from Greece an acknowledgement that both countries should recognise each other's legitimate interests in the Aegean. In language more favourable to Greece, the two countries agreed to "respect the principles of international law and international conventions".

In a complex web of disputes over air, sea and seabed rights in the Aegean, Greece has always put more stress on the letter of international law and arbitration procedures, while Turkey has invoked general principles such as "equity" and demanded open-ended, bilateral negotiations.

Yesterday's promise to avoid accidental war and "unilateral actions" will be widely interpreted as a pledge by Greece to avoid exercising its prerogative under the international law of the sea to extend its territorial waters from six miles to 12.

Nato expansion deal covers divide

Nato yesterday papered over one of the bigger rifts in its generally consensual 48-year history in a compromise that will allow Poland, the Czech republic and Hungary to join the alliance in 1999 and marks Romania and Slovenia out as prime candidates for a second wave of enlargement to be decided in two years.

The deal was no surprise. Much of the dispute over the scope and pace of enlargement had a ephemeral, almost phoney, flavour to it. In the end, everyone knew that the US would get its way in limiting a first enlargement to the central European troika, because the US superpower remains predominant in the alliance and because the most serious obstacle to enlargement is the US Senate, which must ratify widening of Nato membership.

Both the British plea for a small first wave, plus only the vaguest promise of a second wave, and the French preference for a large first wave would have been unacceptable to parts of the US Senate. In US eyes, both these positions smack of underhand attempts to avoid any second wave.

Even if the outcome was never in doubt, the Madrid summit opened on a note of genuine discord. Nine, mainly southern, Nato countries, led by France and Italy, pressed the case for Romania and Slovenia to be invited immediately.

With the firm support of only the UK and the "viking" states of Norway, Denmark and Iceland, the US insisted on a first wave of only three.

Chancellor Helmut Kohl of Germany managed to straddle both positions, saying he was ready to embrace five new members, but adding in almost the same breath that he would be quite content just with early inclusion of the three central Europeans. But no minority is weak – certainly not if it includes the US – in an alliance which takes no decision by majority vote.

President Jacques Chirac pushed until the last moment for the most explicit possible reference to Romania and Slovenia's entry prospects – and contented himself with a welcome for the "positive developments towards democracy and the rule of law" in both countries.

France pushed for Romania out of a desire to see a quasi-Latin country join along with the more German-oriented central Europeans, while Italy promoted the merits of its Slovene neighbour.

Several other countries, with varying degrees of enthusiasm, joined the push for a wider enlargement – partly out of a certain pique with Washington for laying down its views so firmly, and partly out of concern to extend Nato, and therefore stability, to the Balkans.

Greece and Turkey, at odds on so much else, both urged Nato membership for Romania. Significantly, Nato agreed to extend its southward focus beyond Bosnia to the rest of the Balkans.

Questioning the motives of some of the Europeans briefly arrayed against them, US officials complained that Italy appeared to be repaying France for its support of Rome's inclusion in European monetary union by siding with Paris in Nato. They suggested such a spill-over of European Union politicking into Nato may grow as east Europeans start to focus on membership of the EU as well as Nato.

The three candidates invited in yesterday were the least controversial. But the 1999 summit, which will mark the alliance's 50th anniversary and welcome the ex-communist newcomers, will scarcely be able to avoid the consideration of the Baltic states – whose candidacy may divide Nato and re-antagonise Russia.

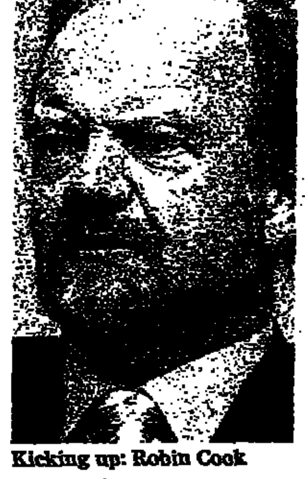
David Buchan, Bruce Clark and David White

UK takes firm line with Spain on Gibraltar

By David White and David Buchan in Madrid

Mr Robin Cook, UK foreign secretary, kicked up a storm in Madrid yesterday threatening to block Spain's progress to full military membership of Nato unless it eases restrictions on the British colony of Gibraltar.

His strongly-worded declaration in a BBC radio interview took the Spanish government by surprise. It came as Nato heads of state and government were welcoming Spain's commitment – reaffirmed at the summit by Mr José Maria Aznar, prime minister – to joining the alliance's military command structure.



Kicking up: Robin Cook

British officials later sought to play down the prospect of a British veto. Both they and Spanish officials said details of how Spain would become part of the military structure were not on the summit agenda.

The UK wants Spain to lift restrictions on air force and naval movements in and out of Gibraltar as part of its new Nato agreement. Mr Cook said Spain "must behave as an ally". Asked if Britain could block Spain's full entry into the military side of Nato over the issue, he replied: "Yes we can, and yes we will, unless there is an agreement".

He accused the Spanish of refusing to discuss the matter for the past two months. "Until they start discussing it there will be no further progress," he said.

Spain has a special claim on the isthmus where the airport is located, a former no man's land which Spain says has been occupied illegally and is not covered by the 1713 treaty granting the Rock to Britain.

Mr Abel Matutes, Spanish foreign minister, said there had been continuing contacts and was optimistic an agreement would be reached, without compromising Spain's claim to sovereignty over Gibraltar.

Spain's military integration is awaiting completion on a new command structure, which Nato now hopes to settle by December. Agreement has been delayed mainly by a stoppage in France's plans for rejoining the military side of the alliance, following its demands for a bigger European role at senior level.

Prospects for eventual French participation brightened yesterday as President Jacques Chirac promised to keep options open. He said France would maintain the links forged in recent months, which have included sending its defence minister and chief of staff to Nato meetings.

He also announced France would take part in combined task forces, a key part of the alliance's planned military reorganisation.

Greater innovation urged in German capital market

By Andrew Fisher in Bonn

Germany must catch up with countries such as the US and Britain in the use of investment banking skills and financial innovation if its capital market is to remain competitive after European monetary union, a leading finance ministry official said yesterday.

While not advocating wholesale adoption of Anglo-Saxon concepts of shareholder value and greater attention to short-term performance, Mr Jürgen Stark, a state secretary at the ministry, said Germany needed to become more market- and competition-minded.

He also confirmed that Germany's government debt would be denominated in euros from the scheduled start of Emu in January, 1999. "We are doing this so that German issues keep their benchmark character" as a yardstick for institutional investors, said Mr Stark. The German banking association welcomed the decision, saying trade in European government bonds would otherwise have been concentrated in Paris.

Mr Stark's comments on the capital market were based on a position paper drawn up by Forum Finanzplatz, a working party of government, banking, insurance, company and stock exchange representatives. He said the German capital market, the world's fourth biggest, had to be quicker in adopting innovations. There had been a "huge time lag" of an average eight and a half years before new securities products were introduced.

With Germany a net importer of capital after reunification, it had to adapt to the practices of international capital markets. Companies were turning more to the stock market for finance, and banks needed to become more oriented to investment banking to promote industrial restructuring and equity issues.

Frankfurt stock exchange celebrates with cake the DAX index closing above 4000. German equities, Page 14: World Stock Markets, Page 30 Reuter

Mr Stark said Forum Finanzplatz would try to counter the impression abroad that the German capital market was not very innovative. He pointed to recent and planned changes in the law to make the market more flexible and transparent.

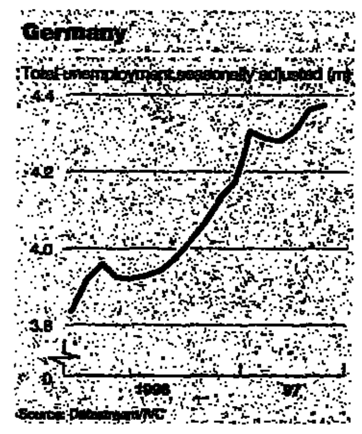
Mr Joachim Henke, a senior ministry official, said further legal initiatives might be needed to force companies to adopt the takeover code if the voluntary scheme did not gain wide enough acceptance. He regretted some top German companies had not signed it.

Unemployment in June climbs to postwar record

By Ralph Atkins in Bonn

German unemployment edged higher in June to another postwar record after seasonal adjustment, as a slight improvement in the west of the country failed to offset a gloomy outlook in eastern Germany.

Figures released yesterday showed an 11,000 increase in seasonally adjusted unemployment to 4.37m last month. The rise was in line with expectations but the consequent increase in welfare spending and fall in tax revenues offers no comfort for the Bonn government, which is struggling to ensure Germany meets the financial criteria for membership of the planned European single currency.



June's unemployment figure was equivalent to 11.4 per cent of the workforce, unchanged from the previous month. Mr Bernhard Jagoda, president of the federal labour office, said there were signs of a "stabilisation" in western Germany, where the seasonally adjusted total fell 1,000 to 3.04m. But the total in eastern Germany, which has been hit in particular by a weak construction sector, rose by 12,000 to 1.33m.

Unemployment in June may have been pushed higher by the dismissal of employees on short-time working or on employment creation schemes. German companies continue to shed labour as part of rationalisation plans, or to transfer production overseas. Mr Jagoda said Germany's "economic recovery is certainly making headway but is not sufficient for a turnaround in the labour market".

The political impact of the latest numbers was softened by another fall in the unadjusted headline total by 33,000 to 4.22m, or 11 per cent of the workforce. However, the continuing high level – which is expected to result in an average unemployment level for the year of about 4.3m – sparked a political row in Bonn.

The opposition Social Democratic party demanded changes in economic policy. But Mr Peter Hintze, general secretary of Chancellor Helmut Kohl's Christian Democratic Union, said "the most important reform project for more jobs" was the government's planned tax reforms.

He urged the SPD to end its blockade in parliament. Talks yesterday between the SPD and the governing about possible compromises broke down but are expected to resume tomorrow.

EUROPEAN NEWS DIGEST

Tensions rise in Chechnya

Tensions mounted in and around the separatist region of Chechnya yesterday after nine Russian policemen were killed by a bomb in neighbouring Dagestan and five Chechen civilians were taken hostage in North Ossetia.

The international aid organisation Médecins Sans Frontières also announced yesterday that one of its workers had been kidnapped a week ago from its headquarters in Ingushetia, which borders Chechnya. There has been a spate of similar kidnappings in recent weeks, and more than 20 civilians are believed to be held hostage.

Mr Aslan Maskhadov, the Chechen president, who is struggling to assert his authority over the region, blamed "foreign special services" for seizing the five Chechen civilians and attempting "to obstruct the building of an independent Chechen state".

The Russian policemen, assigned to guard the border with Chechnya, died when a bomb was detonated under their truck. *John Thornhill, Moscow*

City defends phone-tapping

The City of London yesterday led efforts by European stock and derivatives exchanges to amend a European Union directive on phone-tapping which threatens to disrupt financial markets. The integrated services digital network directive is designed to harmonise telecommunications practices and to make phone-tapping more difficult.

Sir Roger Cork, the Lord Mayor of London, appealed to the legal committee of the European Parliament on behalf of the London Stock Exchange and other City organisations, arguing that phone-tapping was vital for the regulation of financial markets. "When this [directive] was proposed, it was not realised that this is one of the most important methods by which financial services regulators in the UK police the market," he said.

The London International Financial Futures and Options Exchange (Liffe) said the directive had been discussed mainly with telecoms companies such as British Telecommunications, and "we were overlooked".

The LSE and Liffe are working together with the European Committee of Options and Futures Exchanges to have the directive amended before it is due to become law later this year. *Michael Lindemann, London*

Floods hit southern Poland

The worst floods since the beginning of this century have hit parts of southern Poland in the wake of torrential rain which has led to the evacuation of 6,000 people and inundated 10,000 homes and factories in the area. Some 35,000 hectares of land are under water. The flooding, which has cost six lives, is expected to grow worse.

Rain has also swamped the eastern Czech Republic, where 18 persons are reported missing, as well as parts of Slovakia and Austria. It caused the derailment of a train from Vienna to Warsaw near Ostrawa in the Czech Republic on Monday, injuring 64 people.

In Poland, officials refused yesterday to assess the cost of the damage, but said it would be much higher than the $100m which flooding cost last year. Flood alarms have been declared so far in nine of the country's 49 provinces. *Christopher Bobinski, Warsaw*

Court rules sackings illegal

Germany's constitutional court ruled yesterday that civil servants should not have been sacked because they had been former East German Communist party functionaries or had spied for the Stasi intelligence agency. The court said public employers had a duty to look at individual cases, despite laws introduced after unification allowing employees to be dismissed if they were deemed unsuitable because of their Communist pasts.

Passing judgment on eight cases brought by East German teachers and public administration officials who said they had been wrongfully dismissed, the court said five sackings had violated the constitution, but three had been legal. *Reuter, Karlsruhe*

Cost of enlargement to the east high but manageable, indicates Commission

Brussels budgets for EU expansion

By Lionel Barber in Brussels

The European Commission has earmarked Ecu45bn ($40.4bn) to cover regional aid to central and eastern European countries joining the EU early next century.

The proposals are linked to tighter rules on assistance to poorer areas in the present 15-member Union, suggesting Brussels believes the cost of EU expansion is high but manageable.

The Commission's budget projections for 1999-2006, a total of Ecu275bn, are the opening shot in protracted negotiations on how to fund enlargement towards eastern Europe.

Mr Jacques Santer, president of the European Commission, will unveil the regional aid proposals as part of the so-called Agenda 2000 package on enlargement when he appears before the European Parliament in Strasbourg next week.

Before the parliament session, the 20-strong Commission will decide whether to follow preliminary recommendations to open accession negotiations with five former communist countries – the Czech republic, Estonia, Hungary, Poland, and Slovenia as well as Cyprus – next year.

Five other countries – Bulgaria, Romania, Slovakia, Latvia and Lithuania – have applied to join the Union. EU leaders will decide in December whether to follow the Commission's opinions or whether to open negotiations with all 10 applicant countries.

The regional aid plan would streamline the number of EU regional programmes – known as "objectives" – from seven to three. It would also shrink the total EU population covered from 51 per cent to between 35 and 40 per cent.

Big net beneficiaries – Greece, Ireland, Portugal and Spain – are likely to suffer a loss in regional support. Ireland – whose per capital income has crept above Britain's – would see its assistance taper over a transition period of three to four years from 1999.

Meanwhile, total regional transfers to all countries, including the eastern applicants, would not exceed 4 per cent of gross domestic product.

One unresolved issue is the future of the multi-billion Ecus Cohesion Fund, created in 1992 to support the Greeks, Irish, Spanish and Portuguese.

The Commission would like the latter three countries – which have a good chance of meeting the Maastricht criteria for membership of economic and monetary union in 1999 – to be weaned off cohesion funds.

The commission proposes a ceiling of Ecu20bn between 1999-2006 but the Spanish government has warned Mr Santer it will block any attempt to cut off cohesion funding. Madrid sees the aid as separate from the Emu entry criteria.

Mr Santer will also unveil proposals to MEPs for reform of the Common Agricultural Policy, including calls for cuts of up to 30 per cent in farm supports.

The Commission is proposed cuts in intervention prices – the price at which Brussels steps in to buy surplus stocks on the market – to bring EU prices close to world levels.

Mr Franz Fischler, EU agriculture commissioner, has identified beef, cereals and dairy as sectors for slashing support prices. But milk production quotas would remain intact.

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NEWS: EUROPE

French about-turn on pensions

New government plans legislation on private top-up schemes

By Andrew Jack in Paris

France's new Socialist government indicated yesterday that it would introduce legislation to create private top-up pension funds, reversing its pre-electoral position.

Mr Dominique Strauss-Kahn, economics, finance and industry minister, said he planned to begin a rapid consultation exercise on changes to the draft law approved in March by the previous parliament, which was designed to create top-up pensions for private sector employees.

Speaking yesterday at the influential annual conference of Paris Europlace, the financial services sector lobby, he said the government wanted "neither to return to the previous [legislative] text, nor to find itself without an instrument of this type".

His comments came in spite of strong opposition by the Socialists to the law on top-up pensions, which was proposed by the centre-right deputy Mr Jean-Pierre Thomas and voted through by the previous government. However, the detailed text that would have allowed the law to be implemented has never been published.

The left's opposition was based on concerns that tax breaks offered to those subscribing to the pensions would undermine the state pension system, and that unions would have little say in how the pension funds were invested.

Mr Lionel Jospin, the prime minister, said in his general policy speech to parliament last month that the law would be "called into question" partly because it threatened the state repartition pension system.

"The question is whether ... a complementary, collective regime of savings for retirement can find a place in our country, without endangering the repartition system," said Mr Strauss-Kahn yesterday. He added he would begin discussions on the subject with market professionals and union representatives.

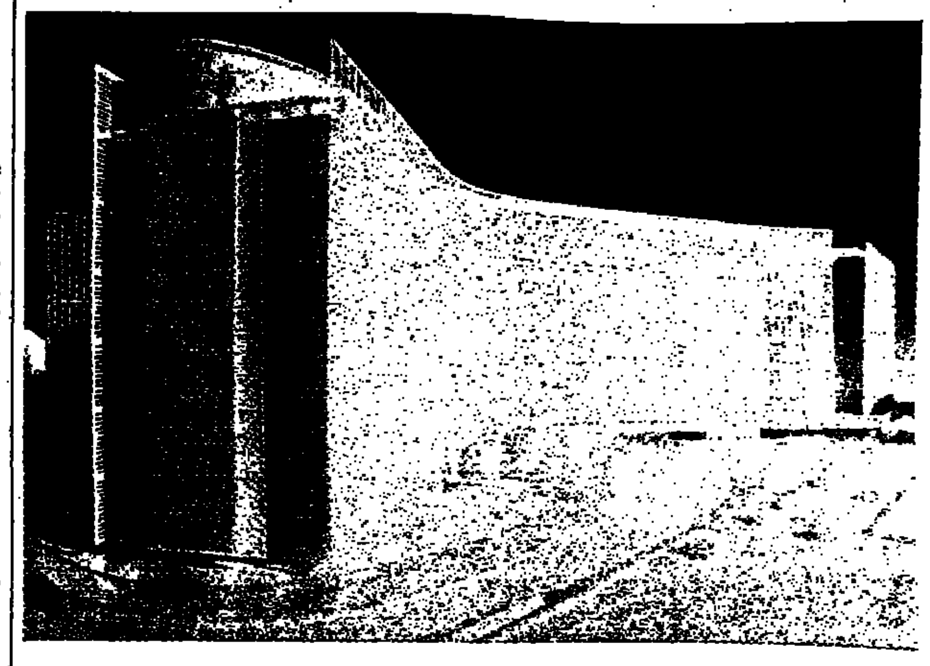
The remarks were received positively by the French investment community. Mr Alain Leclair, president of the French Association of Fund Managers, supported the idea of increasing the representation of unions in the management of such pension funds, and said: "This is a positive statement. The message is clear."

In his speech, Mr Strauss-Kahn also said that he planned the rapid introduction of a law on corporate governance not simply copied from rules which existed in other countries, but one designed to clarify the "balance of power" in companies.

He said it would cover the quality of information given to shareholders and employees, the conduct of annual general meetings, the ethical rules applying to executives, the duties of directors and the division of work between the board and specialist subcommittees.

In addition, he said he would push for changes to France's existing financial regulations to create standards for different classes of investors, to distinguish professional investors from individuals.

Face-lift planned for Brussels Berlaymonster



The Berlaymont, star-shaped former home of the European Commission and seen by many as a symbol of the worst of 1960s architecture, is to be reborn as a high-tech "green" building "in line with the ethos for the third millennium", writes Neil Buckley in Brussels .

Commission officials fled the building Brussels residents love to hate in 1992 after it was found to be stuffed full of asbestos, and have since been in temporary offices. The "Berlaymonster", meanwhile, has been shrouded in protective sheeting – seen by locals as an improvement, and often likened to the building-wrapping exploits of the Bulgarian-born artist Christo.

Wilder schemes for the Berlaymont's future have been scrapped – including the unsolicited plans of Madrid-based architects to dynamite it and replace it with a kilometre-high tower.

Instead, come the millennium, the work will be completed, the wraps will come off and the bureaucrats will return. The Commission will spend some Ecu375m ($420m) over 27 years to buy the building which it has only rented until now.

Mr Erkki Liikanen, commissioner for buildings policy, signed the deal with the regional authorities yesterday and unveiled the design – pictured above – to a sceptical public. It would, he said, be functional and integrated into the environment, "without forgetting the symbolic value of the Berlaymont".

The curving, X-shaped skeleton will stay, but gone will be 1960s tinted windows and concrete pillars. In comes an all-glass exterior covered by a curtain of louvred glass to maximise light and save energy.

Mr André Flahaut, Belgian minister for public administration, said the new design would "lift many doubts and apprehensions". Residents' groups, who have campaigned to regenerate the area, are not so sure. They recently failed to prevent the nearby European Parliament being allowed to use 1,800 of the 2,300 parking spaces beneath its glittering, $1bn new headquarters, despite dire warnings from the environmental authorities of air pollution and gridlocked streets.

Paris to convert debt to nearest euro

By Samer Iskandar in Paris

The French government will round denominations to the nearest unit when it converts its debt to the euro, the planned single European currency, in January 1999, it said yesterday.

The French decision appears to contradict German preparations for European economic and monetary union. Although the Bonn government has yet to commit itself to redenominating its debt, the Bundesbank has said it favours rounding to the nearest cent, or hundredth of a euro.

Bankers believe the absence of an European Union-wide consensus on the method of redenomination is causing uncertainty in the financial markets and could affect securities trading in the run-up to Emu.

The French Treasury said its non-decimal rounding method would be implemented regardless of the conversion methods chosen by other European governments.

"Sums will be rounded to the nearest euro, with a compensatory payment of less than one euro," Mr Jean Lemierre, director of the French Treasury, told bankers at the annual Paris Europlace conference. "Others could choose decimal [redenomination]," he said, adding that the French method would reduce the cost of conversion and make the "transition easy for the state".

The redenomination problem arises from the fact that when securities are converted into euros, their nominal value will cease to be a round number. For example, a French government bond worth FFr2,000 would have a nominal value of E301.4318 if it were redenominated at yesterday's exchange rate (Ecu1=FFr6.635).

Using the French Treasury's method, this bond would be replaced by a security with a nominal value of E301.00 after redenomination. Its holder would also receive a cash payment of E0.4318 for each bond held. If Germany opted for decimal conversion, French and German government bonds would not have similar nominal values after Emu, despite being denominated in the same currency – the euro.

Mr Lemierre said, however, that he did not expect such discrepancies to disrupt trading after 1999. "Whichever method is chosen elsewhere will only matter at the time of the switch," he said. Trading thereafter would be unaffected.

Mr Lemierre also confirmed all government debt would be issued in euros after the start of 1999, and all existing debt would be redenominated in the new single currency.

The Treasury will hold the first auction of euro-denominated long-term bonds on January 7, 1999. On January 21 of that year, it will issue medium-term debt, also denominated in euros.

Mr Lemierre said the Treasury would organise a conference on the single currency next December, "the first such conference by a sovereign issuer".

Yeltsin promises to pay off wage arrears by end of year

By Chrystia Freeland in Moscow

The Kremlin yesterday set itself a gargantuan challenge when President Boris Yeltsin signed a decree promising to pay all outstanding wage arrears to the armed forces within two months and to all other state employees by the end of the year.

The decree is a slight softening of Mr Yeltsin's impulsive promise last week to pay all wage arrears by October. But, even so, settling the debt to all state employees, estimated at Rbs25,600bn ($4.4 bn) nationwide, remains a formidable task.

Unrest is mounting in the forces, where officers are regularly forced to hire conscripts out to private businesses to cover the expenses of running their units. Disgruntled officers plan to meet in Moscow today to press their case with the government.

Mr Yeltsin's ambitious pledge, however, also coincides with growing indications that Russia may be making progress in sorting out its public finances.

The government kept its promise to pay off a $4bn pension bill by the beginning of this month. Catastrophically low tax collection rates have also picked up. Revenues in the first five months of the year were at 85 per cent of projected levels. Late last year the figure was 50 per cent.

At a meeting with senior ministers at which he signed the wage arrears decree, Mr Yeltsin vowed the government would use all available sources of financing to plug the wage gap. The Interfax news agency reported him as saying: "We must determine ways to find finances.... how we can cut spending and increase revenues, where to use borrowing, the sale of property and securities."

Mr Boris Nemtsov, a first deputy prime minister, said one source of financing would be a planned $1.25bn convertible bond issue by Unified Energy Systems, the electricity monopoly in which the state still owns a majority stake.

To pay off the pension bill earlier this month, the government relied on a massive international debt issue, loans from international financial institutions and the collection of long-overdue taxes from large corporations such as the natural gas monopoly Gazprom.

While praising the Russian government's newfound commitment to meeting its obligations to its pensioners and employees, some observers have warned that it is still relying on one-off sources of funding and that there is no guarantee new arrears will not accumulate in the future.

Mr Yeltsin yesterday also signed decrees about production sharing and on oil debts to the state budget which, according to Interfax, he described as being "of global importance" and "a real blow against banditry". However, few details were immediately available.

NEWS: WORLD TRADE

Europeans clash with US on security for internet

By Ralph Atkins in Bonn

European ministers yesterday provoked a clash with the US by calling for the unrestricted use of encryption technology to boost consumer confidence in the security of global information networks.

A joint statement supporting the "free choice" of encryption products, agreed at the end of a two-day conference in Bonn, set European Union ministers against the US.

The US is worried about the use of global networks by international terrorist organisations and has sought to restrict international trade in sophisticated encryption products. Washington wants law enforcement agencies to be able to decode information in limited circumstances.

The dispute marred attempts in Europe and the US to set common global standards for networks, such as the internet, and overshadowed common positions on other issues vital to the industry's development.

Mr William Daley, US commerce secretary, said European governments and Washington "seemed to be starting off at pretty much the same point" in agreeing on the need for minimum state oversight of the internet.

Yesterday's Bonn declaration echoed the "framework for global electronic commerce" set out last week by US President Bill Clinton in calling for the private sector to take a leading role in protecting consumers' interests and ethical standards.

The declaration was also in line with the US statement of principles in arguing that no additional tax or tariffs should be imposed on transactions using global electronic networks. Mr Günter Rexrodt, German economic minister, even suggested that products and services specifically associated with the use of the internet could be traded duty-free.

On coding technology, however, Mr Daley insisted, "there are certain legitimate areas where governments have to be involved". Encryption should be used to protect credit card numbers or detailed contracts from being read. But, he went on: "We must also make sure national security is safeguarded by applying those rules sensibly, so that potential terrorists or other sophisticated criminals cannot hide their work."

Mr Rexrodt hinted the European ministers regarded US policy on exporting encryption technology as discriminatory.

He backed "strong" encryption procedures, which he said were "offering users the only protection that they have, the only certainty, that their data is not going to be divulged or misused on open networks".

Mr Rexrodt was backed by Mr Ron Sommer, chairman of Deutsche Telekom, Europe's largest telecommunications group, who said: "Anyone who uses the point of public security as an argument in this [encryption] issue has not realised or acknowledged that any such legal requirements stand in the way of the further spread of electronic commerce."

Technology, Page 8

William Daley in Bonn yesterday: wants safeguards against terrorists or criminals Associated Press

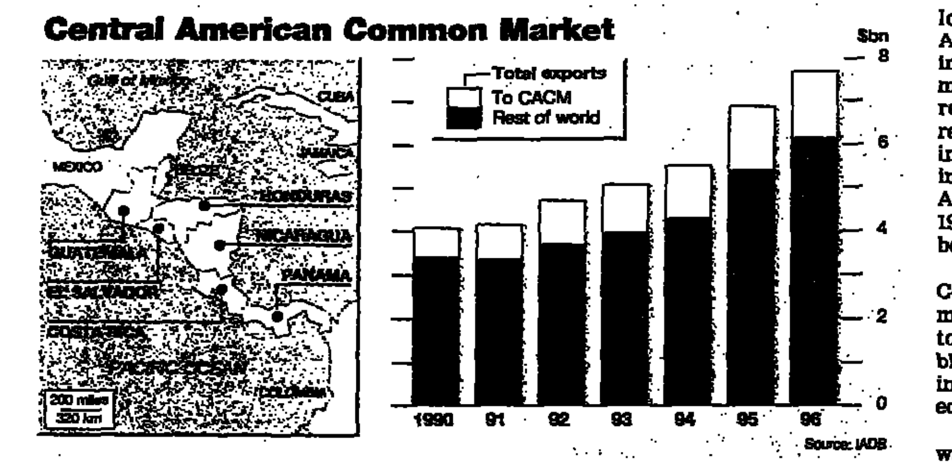
Central Americans start to act together

But countries' fondness for protectionist measures remains strong, reports Johanna Tuckman

Central America has woken up to the potential of a large market and the benefits of closer economic and trade integration. Although inclined to cling to their inward-looking policies, the region's six countries are stirring into action and improving their regional co-ordination.

"Together we can offer a market of over 32m people, but each country on its own is too weak and it is impossible to achieve good accords," says Mr Carlos Alarcon of the Central American Secretariat of Economic Integration.

Central American Common Market



Source: IADB

One indication of the greater momentum is the proliferation of regional summits. On July 11 and 12, Panama's President Ernesto Pérez Balladares is due to host a summit on integration with his counterparts from Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica. These meetings used to be held annually but now take place every six months.

High on the agenda are moves to attract foreign investment and encourage foreign trade. The key to achieving both these aims, however, is the pressing need to modernise institutional frameworks to boost region-wide development. Most regional institutions created to promote trade and industry date from an attempt at import substitution in the 1960s. A recent study by the UN Economic Commission on Latin America and the Caribbean, and the Inter-American Development Bank, concluded that regional integration bodies were unco-ordinated, inefficient, costly and unaccountable.

In May, Central American foreign ministers ratified the report's recommendation that most of these institutions be merged into a single body, and the Panama summit is expected to produce a plan of action to this effect.

Steps towards integration have been boosted by trade and intra-regional tariff reductions. Trade within Central America has fully recovered from a low point of $413m in 1986. In 1994, trade had recovered to 1980 levels of about $1.1bn, and by 1996 it had risen to $1.6bn.

However, goods such as sugar, coffee and alcohol remain subject to protective levies to safeguard domestic producers with monopolies. The power of these lobbies makes Mr Fernando Morales de la Cruz, a Guatemalan economic analyst, sceptical about the reality of closer integration.

"Only when I see Salvadorean beer on sale in Guatemala and Guatemalan beer on sale in El Salvador will I believe that trade liberalisation and integration is a reality," he says.

The persistence of national fiefdoms also obstructs commerce with larger nations. In May, the Guatemalan government imposed an 89 per cent tariff on Mexican cement imports in response to the local monopoly's complaints of dumping. Mexico has taken the case to the World Trade Organisation.

But beyond the fears of local industry, Central American traders are pushing hard to open the regional market. The see-saw progress of a regional tariff reduction programme, reducing maximum levies on imports from outside Central America to 15 per cent by 1999, reflects the competition between the two lobbies.

Local squabbles aside, Central American governments all proclaim their aim to consolidate a regional bloc that is a realistic trading partner for the world's economic giants.

The urgency of the task was underlined earlier this year at the US-Central American summit in Costa Rica, which was marked by President Bill Clinton's polite disregard of calls for parity with Nafta.

The recent summitry has also exposed the dilemma for Panama, no longer an import-export or financial haven. "[Mr Balladares] didn't go to the Clinton summit, insisting that our destinies are not tied. But now he is hosting the July meeting where strengthening the ties between Central America and Panama will be discussed," says Dr Alejandro Cordero, a Panamanian economist.

Panama is an active observer of Central American integration though reluctant to dive into the institutional structure. But Dr Cordero is convinced that de facto integration, such as regional infrastructure projects and moves by the private sector to find new markets, will eventually drag government policy with it.

The Panama summit is also expected to produce a letter of intent for a Central America-Panama free trade agreement. But as Mr Alarcon points out, the priority remains Mexico. "There is a two-pronged strategy to strengthen the integration process at the same time as negotiating a free trade agreement with Mexico as a region," he says.

Mexico and the "Northern Triangle" of Guatemala, El Salvador and Honduras are well into negotiations. The theory is that once an agreement is signed, Nicaragua will join up to produce a document that can be adapted to include the previous accord signed by Costa Rica and Mexico in 1994.

But although advances have been made, the official line that a Mexico-Northern Triangle agreement will be in place by 1998 appears exaggerated, unless powerful Central American industrial groups manage to negotiate exceptions.

WORLD TRADE NEWS DIGEST

EU challenges Burma ban

Japan has joined the European Union in filing a complaint against a Massachusetts law banning the state from giving contracts to companies which do business in Burma. Japan has formally requested to join the complaint to the World Trade Organisation.

The US federal government has no power to abolish laws passed by the 50 states, although it challenges some laws in court. US trade officials have met Massachusetts legislators in an effort to convince them to make state sanctions consistent with US commitments in the WTO.

A new Massachusetts bill to impose sanctions on Indonesia has been altered to satisfy EU complaints, but the bill has yet to pass the legislature. However, a group of Massachusetts legislators has sent letters to Brussels and Tokyo warning against interference in the state's affairs.

"The Japanese are particularly vulnerable to selective purchasing laws because they have such large conglomerates. If just one of their affiliates operates in Burma, that could have an effect on contracts across the entire holding company," said Mr Simon Billenness of Franklin Research and Development Corporation, an investment firm. *Nancy Dunne, Washington*

Fuji builds Chinese plant

Fujifilm has started building a factory in Suzhou, China, where it plans to produce digital cameras and, in future, parts for other types of cameras. The plant will be Fujifilm's second in China. The Japanese company already has a 100 per cent owned plant in Suzhou where it produces instant cameras for sale in Japan.

The company is investing $20m in the plant, to be completed next year, in which will be able to produce 20,000 to 30,000 units a month. Fuji chose China because of its lower manufacturing costs and as a springboard to the Chinese market. Most Japanese camera makers have operations in the Chinese market, where interest in photography is growing and demand for digital cameras rising. *Michiyo Nakamoto, Tokyo*

US sets up Tokyo trade office

US trade officials have established a separate office to represent US interests in Tokyo because of the "volume, importance and sensitivity" of US-Japan trade interests, according to Ms Charlene Barshefsky, the US trade representative.

Ms Barshefsky has appointed Ms Wendy Cutler, who was responsible for the implementation of the US-Japan Semiconductor Agreement, to be the first Assistant US Trade Representative for Japan and to run the office. Although US-Japan trade relations are currently comparatively smooth, Japan's bilateral surplus is growing again – after a marked decline last year – and new issues are likely to surface. *Nancy Dunne, Washington*

Venezuela awards oil contract

Petrozuata, a joint venture company between Conoco, the Dupont energy subsidiary, and Maraven, a subsidiary of the Venezuelan state oil company PDVSA, have awarded Contrina, a multinational construction consortium, a $500m contract for the design and construction of extra heavy crude oil processing facilities in eastern Venezuela. The Petrozuata facilities will be able to process 120,000 barrels per day of heavy crude oil into lighter oil. Contrina is a joint venture made up of Halliburton company's Brown & Root and Parsons Process Group, both of the US; France's Technip; and Proyecta and DIT-Harris, both of Venezuela. A second contract was awarded to a Venezuelan consortium, Convenco, for the construction of maritime facilities worth an estimated $190m. It is one of six projects to develop Venezuela's Orinoco heavy crude oil belt, which holds 70bn barrels of recoverable crude oil. *Raymond Colitt, Caracas*

NEWS: INTERNATIONAL

Egyptian reformer Youssef Boutros Ghali given cabinet post after long wait

Mubarak promotes economic liberaliser

By Mark Huband in Cairo and David Gardner in London

Egypt's path to economic liberalisation appeared sealed with the promotion yesterday of Mr Youssef Boutros Ghali to the post of economy minister, in a cabinet reshuffle which placed control of key sectors in the hands of the main architect of the reform process.

Brokers, financiers and economists applauded Mr Boutros Ghali's appointment. He is now expected to launch more reform in the banking, insurance, finance and investment sectors as part of a government drive towards the more effective utilisation of funds in its attempt to achieve 8 per cent growth by 2000.

For 18 months, the 44-year-old Mr Boutros Ghali has been denied decision-making power, despite playing the pivotal role in negotiations over economic reform with the International Monetary Fund during the past decade.

Personal rivalries condemned him to the non-cabinet post of minister of state when Mr Kamal el-Ganzouri, the reformist prime minister, was appointed in January 1996. Since sweeping reforms last year, Mr Boutros Ghali has raised his profile among international financiers by brashly advocating irreversible economic liberalisation, which Mr el-Ganzouri has largely pursued.

"The fundamental thrust, the first priority, is going to be generating savings in the economy, because this is what is ultimately going to preserve non-inflationary growth in Egypt," Mr Boutros Ghali said, in an interview with the FT following his appointment yesterday.

"The second is how to make the financial sector friendlier to exports. Third is to see how the government, as registrar of contracts and as mediator in various corporate and non-corporate transactions, can perform more efficiently."

"The major area we need to concentrate on is the financial sector – in its entirety," Mr Boutros Ghali said. "To know where we stand, we need an in-depth evaluation of the financial sector – the banking sector, the insurance sector, the capital market, and private pension funds."

He also hinted at changes in the relationship between the government and the central bank, though he declined to identify specific plans. "I believe that monetary policy should have a certain sovereignty," he said, a remark which one Cairo banker saw as signalling increasing government control.

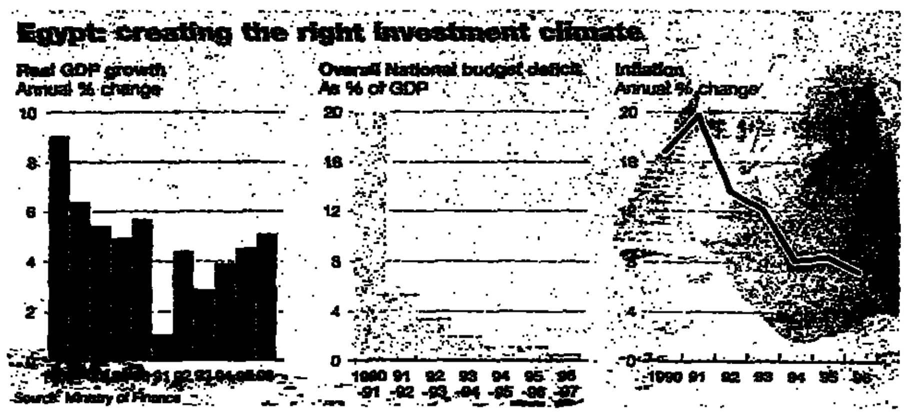
Mr Boutros Ghali's appointment is viewed by observers as a sign that President Hosni Mubarak is now satisfied that the pace of economic reform has not been too fast. Mr Boutros Ghali has been critical of ministers who have advocated a piecemeal approach.

His new portfolio is not as wide as that of his predecessor, Mrs Nawal al-Tatawi, who was also the government's official interlocutor with international financial institutions. Some see this as a sign that his critics within the cabinet restricted the breadth of his new post. "He is not a team player," said a Cairo-based economist.

The limited reshuffle saw foreign, defence and finance portfolios unchanged. Mrs al-Tatawi was sacked, while two ministers had their portfolios altered, three new ministries were created and one ministry expanded.

Mr Boutros Ghali, nephew of the former United Nations secretary general, comes from a distinguished Coptic Christian family. He did his PhD at the Massachusetts Institute of Technology under Mr Stanley Fischer, current deputy chief of the IMF, where he was a senior economist before joining the Egyptian government and moving into the forefront of its reform strategy.

Egypt: creating the right investment climate



Source: Ministry of Finance

El-Ganzouri: followed Boutros Ghali's advice

Cairo proclaims its 'financially sound' status

By David Gardner, Middle East Editor

Egypt is now a "financially very solid" country which merits close inspection by international investors, according to Mr Youssef Boutros Ghali, the designer of Egypt's structural reform policies who was yesterday promoted to economy minister by President Hosni Mubarak.

Mr Boutros Ghali, who is launching a drive to promote investment in Egypt, said his country was now in a position to open its borders to foreign competition. He said Cairo intended to raise economic growth from more than 5 per cent now to 8 per cent by the end of the century, and needed foreign investment to achieve this.

Partly because "we haven't been that good at selling the country," the minister said, investors have not yet appreciated the financial strength Egypt has built up from near bankruptcy 10 years ago.

Egypt's foreign exchange reserves, at $20.5bn, now exceed the market value of its external debt – nominally $28bn but valued by the minister at $19bn because of concessionary terms – and have underpinned six years of exchange rate stability. The budget deficit has come down from 24.7 per cent of GDP 10 years ago to 0.8 per cent now and real interest rates are low and falling. Only inflation, at a regionally respectable 5.4 per cent, would keep Egypt from meeting the Maastricht criteria on European economic and monetary union, Mr Boutros Ghali quipped.

Throughout the country's International Monetary Fund-backed macroeconomic stabilisation and subsequent structural reforms including the beginnings of privatisation and deregulation, Egypt had consciously chosen to build up financial strength before attempting radical trade liberalisation, the minister said.

This contrasted with the Mexican economic reforms of the late 1980s. Then, he said, open borders from the outset translated into fiscal and current account crises leading to financial collapse by 1994, as manufacturing industry failed, leading to a banking crisis eventually charged to the treasury, which was already wrestling with current account deficits being financed by portfolio investment.

Egypt has started to overhaul its financial institutions and aims to become the foremost capital market in the Middle East, Mr Boutros Ghali said. In addition, it needs foreign investment to raise the national savings ratio from 18 per cent of GDP to 25-28 per cent, and get the higher growth rates at which "we can make real change in the living standards of Egyptians."

As part of a sales effort launched in London this week, Mr Boutros Ghali wants cabinet approval for a Eurobond issue later this year, part denominated in Egyptian pounds. The Treasury does not need the money but wants to establish a benchmark for corporate borrowers, capitalising on January's investment grade rating of Egypt by Standard & Poor's.

"We're an investment grade country and people need to know this," Mr Boutros Ghali said.

INTERNATIONAL NEWS DIGEST

Vow to step up Kenya protests

Kenyan opposition-backed groups calling for constitutional reforms before this year's general election vowed yesterday to step up public protests after the most violent clashes with police for seven years. Kenyan officials said they expected the calls largely to go unheeded. Nairobi and other towns were reported calm after closing down on Monday. Nine people were killed in Monday's clashes.

In London, Mr Tony Lloyd, British foreign office minister, condemned "the excessive force used by the police. A peaceful environment is essential for conduct of free and fair elections," he said. "All parties have a responsibility to refrain from confrontation".

Security remained tight in Nairobi for a summit of regional presidents on the civil war in Sudan. Riot police waited in the rain near the hotels where foreign leaders were staying and patrolled shopping centres around Nairobi wielding pick-axe handles. Opposition parties, human rights groups and other bodies in the National Convention Executive Committee (NCEC) ordered a new demonstration today to put pressure on the government and bring conflict in Kenya to the attention of visiting leaders. *Michael Holman, London*

Editorial comment, Page 11

Fis leader goes free

Algeria's military-backed government yesterday freed from jail a top official of the banned Islamic Salvation Front (Fis). The release of Mr Abdelkader Hachani is seen as a move to appease hardline extremists. He was released early yesterday, only a day after being sentenced to five years' jail for seeking to incite a revolt in the Algerian army. He had already served five years in detention awaiting trial. The court, however, had sentenced him to be deprived of his civic rights for three years. Meanwhile, the death toll in weekend violence rose to at least 61, with Islamic extremists held responsible for many of the killings. Some 60,000 Algerians have died in violence since the end of 1991. *AFP, Algiers*

'Bosnia' warning for Israel

Britain's Labour government, in its first statement of policy towards the Middle East, last night warned Israel against creating a new Bosnia on the West Bank by attempting to cantonise the Palestinian territories into an unviable patchwork broken up by Israeli settlements. Mr Derek Fatchett, Foreign Office minister responsible for the Middle East, told the British Society for Middle East Studies in Oxford that "whatever the final shape of the Palestinian entity, it would need to be viable, politically and logistically".

He urged Israel to stop building settlements on Palestinian land in the West Bank and east Jerusalem, and to cease all actions which predetermine the outcome of final peace talks. *David Gardner, London*

Cambodia execution raises hit-list fears

By William Barnes in Bangkok

A senior member of Cambodia's ousted royalist party has been executed with a bullet in the head after being arrested by troops of a rival faction, it emerged yesterday. The killing raised fears that other leaders loyal to the co-prime minister Prince Norodom Ranariddh might be on a hit-list drawn up by the victor of this week's coup.

The news of the execution overshadowed a plea by the victorious co-premier, Mr Hun Sen, for the world to stay out of his country's internal affairs.

His call came as the Association of South East Asian Nations (Asean) called for an immediate ceasefire and said it "deeply regrets the unfortunate turn of events in Cambodia".

Thai C-130 transport aircraft managed to land at Phnom Penh's battered airport seven times yesterday to pick up 800 mostly Thai citizens, but also some American, Dutch, Japanese and Australian nationals. Thai commandos fanned out as anxious families ran out. The body of a Japanese engineer killed in crossfire on Sunday was also brought out.

Malaysia also began evacuating its citizens, with the first 100 expected to arrive in Malaysia late last night.

Fighting has also spread to the Cambodian provinces, hitting plans to evacuate a group of tourists and aid workers by land from the area around the historic temple of Angkor Wat to the Thai border.

Mr Ho Sok, a secretary of state at the interior ministry, was one of four members of Prince Ranariddh's Funcinpec group blamed by Mr Hun Sen for the violence.

"He had been arrested by government troops and he died," said Gen Khieu Sopheak, an adviser to the interior ministry.

"He was shot down by the people that were angry with him."

The other men on Mr Hun Sen's list are Prince Ranariddh's most senior military adviser, Gen Nhiek Bun Chhay, Mr Chao Sambath, a Funcinpec intelligence official, and Mr Serey Kosal, the prince's chief security adviser respectively.

Asean foreign ministers will gather in Kuala Lumpur tomorrow to discuss the crisis. The Philippines has already warned that Cambodia's membership application may be in jeopardy. The organisation, which nor

The coup has ended an awkward government partnership created when the militarily stronger Cambodian People's party of Mr Hun Sen demanded a share of power despite losing UN-sponsored elections to Funcinpec in 1993.

Mr Hun Sen, the "second" prime minister, claimed again yesterday that his quarrel was with the prince and not Funcinpec and that the job of first prime minister was simply vacant.

Diplomats said that the CPP has now regained the total power that it lost when it agreed to the international community's plans for free elections.

Thai air force men help refugees aboard their Hercules aircraft at Phnom Penh airport

HK election proposals draw democrats' fire

By John Ridding in Hong Kong

Hong Kong's new government yesterday announced arrangements for next year's legislative elections combining proportional representation for directly elected seats with a series of electoral colleges.

The plans came under fire from the territory's largest pro-democracy party, which accused the administration of seeking to curb its influence. "This is the beginning of the Singapore-isation of Hong Kong," said Mr Martin Lee, leader of the Democratic party.

The elections, which will replace the Beijing-backed legislature that took office after Hong Kong returned to China last week, are regarded as a benchmark for post-colonial Hong Kong by Britain and the US.

Mr Robin Cook, British foreign secretary, and Mrs Madeleine Albright, US secretary of state, said last week that free and fair elections would test China's commitment to the territory. Diplomats indicated last night that the plans were in line with expectations.

Under the electoral plans, 20 of the 60 legislators will be elected directly through proportional representation. Functional constituencies, based on business and social organisations, and an election committee, will choose the other legislators. The functional constituencies will have narrower franchises than under reforms introduced by Mr Chris Patten, the former governor.

Mr Nicholas Ng, secretary for constitutional affairs, said the aim of the arrangements was to establish an open and fair system that would return a credible legislature.

The new administration had decided proportional representation would better reflect voters' wishes than the first-past-the-post system. This was used for the 20 directly-elected seats in polls held in 1995 under Mr Patten's reforms. China's objection to the reforms prompted a Sino-British dispute and Beijing's decision to replace the last colonial legislature.

Mr Lee dismissed the new government's claim. "You have to look at the overall picture," he said. "Proportional representation is meant to ensure that small parties gain seats. But here the intention is to ensure that the biggest party is restricted."

The Democratic party, which held 19 seats in the legislature abolished last week, would be unlikely to win more than 10 directly-elected seats in the new body, he added.

The government said it would require mainland children to obtain a certificate of entitlement before they could claim residency rights in Hong Kong.

Delhi coalition ducks petrol price decision

By Mark Nicholson in New Delhi

India's embattled United Front (UF) coalition – in disarray after the split in the Janata Dal, previously the coalition's biggest element – has again ducked a decision on whether to raise petroleum prices.

UF leaders suggested the coalition could not agree on raising oil prices, a politically sensitive move required to address a growing Rs155bn ($4.3bn) oil subsidies deficit.

The coalition's disarray, combined with a warning from Mr Sitaram Kesri, the Congress party's recently elected president, to party members to expect an election before the year's end, has spawned a some gloomy prognoses for Mr I K Gujral's fragile government.

The UF scrabbled to stay in office only two months ago after Congress withdrew, then re-affirmed its political support. Delhi insiders suggest Mr Kesri and a Congress emboldened by the UF's troubles will shortly make an overt bid to join and lead the coalition, or indeed spark fresh elections.

"The dice are already rolling," said Mr Arun Nehru, a political commentator. India Today magazine this week argued that "the slow countdown to the fall of the Gujral government has clearly begun." The analysis came in an article quoting one UF minister as saying: "We may continue to hold office, but we cannot now govern."

Business Standard newspaper, meanwhile, warned in an editorial this week that an economically damaging "paralysis" looked certain, whatever political arrangement emerged from the present political quagmire.

Nevertheless, some officials within the country's more reformist ministries – industry and finance – maintain that the political turmoil will not prevent some further, gradual reforms.

One senior official also insisted that the UF had, notwithstanding public political pronouncements, conceded the need to raise petroleum product prices and that only the move's timing needed to be decided.

The official said rises of 8-10 per cent in the prices of diesel, petrol, kerosene and other fuels would be announced, designed to neutralise an expected Rs90bn increase in the "oil pool" deficit for this fiscal year.

He said the existing deficit of Rs155bn would be dealt with by "innovative financial engineering".

News agencies reported that Mr Gujral was confident the price rise would go through but would not say when.

ASIA-PACIFIC NEWS DIGEST

Tamils hijack Korean ship

Sri Lanka's separatist guerrillas yesterday hijacked a North Korean cargo ship with its 38-member crew, crippling the government's sea link to Jaffna, the former rebel bastion in the island's north. One crew member was shot dead when he tried to escape.

The separatist Liberation Tigers of Tamil Eelam (LTTE) boarded the MV Morang Bong off Jaffna overnight and took the 3,000-ton vessel to a nearby coastal base, officials said. A week ago, the Tiger rebels set ablaze a refugee ferry on the other side of the island and abducted its nine crew members, including two Indonesians. The foreigners were later freed to the International Red Cross.

Both attacks came as security forces kept up a big ground offensive aimed at opening a land route to Jaffna, which was wrested from rebel control in December 1995. "When the ships are attacked like this it will be very difficult for the government to take keep Jaffna supplied," Mr Dharmalingam Sidhathan, a Tamil MP opposed to the Tigers said yesterday. *Amal Jayasinghe, Colombo*

Banker bailed in Hong Kong

A former senior private banker at Merrill Lynch, accused by the US bank of forging wealthy clients' signatures, was last night granted bail after being arrested in Hong Kong late on Monday.

The Commercial Crime Bureau arrested Mr Kevin Wallace along with a Hong Kong man. Both have now been granted police bail pending further inquiries.

Mr Wallace, an American, was dismissed by Merrill Lynch in May. The bank said it had commenced civil proceedings against him in Singapore, where he was based, and Hong Kong. A criminal complaint has also been filed in Singapore, and the bank says it is working closely with all the relevant authorities.

Reports from Singapore suggest the alleged fraud could cost Merrill Lynch up to US $30m. The bank claims that Mr Wallace, a former private client financial consultant, engaged in unauthorised trading, misrepresenting or falsifying private client statements, and forging client signatures. *Louise Lucas, Hong Kong*

Punjab train bomb kills 33

At least 33 people were killed and over 60 injured when a bomb destroyed a train carriage in the north Indian state of Punjab, where Sikh separatists fought a bitter insurgency during the 1980s.

The explosion ripped through the southbound train at Lehrakhanna, 25km from the west Punjabi town of Bathinda, close to India's border with Pakistan. There were no immediate claims of responsibility for the blast, reminiscent in style of the bombings which marked the state's earlier years of violence.

The prosperous agricultural state has enjoyed relative peace in the 1990s after a tough police operation effectively curtailed a separatist insurgency which claimed more than 20,000 lives during the 1980s. However, the state has suffered sporadic attacks, including four smaller blasts this year which have claimed 13 lives.

Yesterday's bombing is the state's worst atrocity since the 1995 assassination of Mr Beant Singh, former chief minister. However, Punjab held state elections peacefully earlier this year, in which a coalition government of the Akali Dal, a moderate Sikh party,and the Bharatiya Janata party, the Hindu nationalist group, was elected. *Mark Nicholson, New Delhi*

Japan to step up nuclear plans

By Gwen Robinson in Tokyo

The Japanese government is set to strengthen commitment to its controversial fast-breeder nuclear reactor programme, despite a recent string of accidents at nuclear facilities.

The Science and Technology Agency this week published a draft report proposing the troubled state-run Power Reactor and Nuclear Fuel Development Corporation, known as Donen, be reorganised and formed into a new body, to step up development of fast-breeder reactors and related technology.

The recommendations of the agency, the central body overseeing the nuclear energy programme, are likely to be implemented. The report calls for the new body to take on many of Donen's functions, including developing fast-breeder reactors and disposing of high-level nuclear waste.

Japan's main fast-breeder reactor, known as Monju, was shut down in late 1995 after a huge leak of sodium coolant and subsequent disclosures that some Donen officials allegedly doctored videos of the accident.

Since then, Donen has been at the heart of growing public mistrust of the government's nuclear energy programme, following disclosures of further mishandling of at least eight other accidents at nuclear facilities. At least two accidents exposed plant workers to low-level radiation.

The most serious incident occurred in March at the Tokai nuclear fuel reprocessing plant north of Tokyo, when an explosion exposed 37 workers to radiation. The report calls for the new body to continue operations at the plant, to facilitate development of fast-breeder reactor technology. The body would oversee re-starting Monju.

The report has received a mixed reception. Critics say its proposals backpedal from earlier statements by science officials and Prime Minister Ryutaro Hashimoto. The central issue is the future of Donen, which government officials earlier said would be abolished.

Others welcome removal of key responsibilities from the organisation, including development of advanced thermal reactors, exploration for uranium abroad and development of uranium enrichment technology.

Power chief's murder sharpens Pakistan corruption debate

Mr Shahid Hamid made many enemies during his six months as managing director of Karachi's Electricity Supply Corporation. But his death in a hail of gunfire in the city's elegant Defence neighbourhood this week will probably be listed as another unsolved murder in the long trail of bloodshed that has rocked Pakistan's business capital.

One vital question for the police is whether Mr Hamid was a victim of political warfare or a prey to interests who found his commitment to clean up the power company a bit unpalatable. Possible suspects include contractors who had bribed KESC officials and provided poor-quality material and employees involved in financial scandals.

Mr Hamid took charge of one of Pakistan's most corrupt public sector companies at a time when it was suffering large losses from widespread corruption. What brought him into the limelight was his repeated commitment to cut the losses and prepare for privatisation by the end of this year.

"He took upon himself to reform one of the most difficult companies to be tackled," said a businessman friend yesterday, adding that many of Mr Hamid's friends would like to know if there was a link between his murder and his work.

The shooting came at a crucial time for Pakistan, with debate rife over corruption in high places inside the public sector and government departments. Mr Nawaz Sharif, the prime minister, is partially responsible for raising the profile of corruption, especially with his sacking of the navy chief earlier this year, ostensibly on charges of corruption.

The anti-corruption drive had been a prominent theme during Mr Sharif's election campaign. His ruling Pakistan Moslem League repeatedly accused Ms Benazir Bhutto, the former prime minister, and her husband, Mr Asif Ali Zardari, of acquiring wealth through illegal means such as kickbacks on government contracts.

So far, approximately 100 bureaucrats known to be close to Ms Bhutto have been either suspended from work or arrested. That has triggered speculation that the initiative has become bogged in party politics.

"Is it the case that any one and every one close to Benazir was corrupt?" asked one of the bureaucrats facing charges. "Nawaz Sharif has been the prime minister before and there were many bureaucrats who were close to him too. Were they all innocent?"

The result of Mr Sharif's so-called accountability initiative is expected to have an important bearing on his popularity. Many Pakistanis are disgusted over the description of their country as the world's second most corrupt state after Nigeria, in a survey undertaken by Transparency International, a German non-governmental organisation, two years ago.

Many businessmen are also eager to see an aggressive attack on corruption across the board. A survey based on the views of about 260 Pakistani business executives, released by the American Management Association (AMA), a private organisation, last week found overwhelming support for eradicating corruption.

An AMA statement based on the survey results commented: "Corruption results in both inefficient and ineffective organisations which waste public money. It drives out efficient companies and favours those who are willing to bribe but who then deliver shoddy goods and perform services which are below standard."

Mr Zahid Zaheer, secretary general of Pakistan's Overseas Chamber of Commerce and Industry, an umbrella group for all multinationals, said: "The government started off with signals that it was going to act, but it [the initiative] seems to have petered off."

Businessmen like Mr Zaheer are convinced that recent economic reforms such as wide-ranging cuts in tax rates and lower tariffs on imports will not help the Pakistani economy to revive, unless backed strongly by an effort to clean up government departments responsible for dealing with investors. "Incentives alone will not work. There has to be good governance too."

Mr Sharif is getting some credit for at least keeping the issue alive. Mr Shafiq Naz, managing director of the AMA in Pakistan said: "Having an industrialist as the prime minister helps" – a reference to Mr Sharif's career as a businessman. "He [Sharif] has himself had the experience of dealing with the government and knows the problems."

Mr Sharif is committed to stepping up the pace of the country's privatisation programme, convinced that a reduced role for the government in running companies would curb part of the problem. His government is understood to be considering plans to replace all bureaucrats serving as public sector chief executives during the next three to four months.

Mr Sharif favours recruiting replacements only from the private sector, to begin much needed reforms such as large-scale retrenchments. However, many candidates for the jobs might first want to know the motive behind Mr Hamid's killing, businessmen said.

Farhan Bokhari

Mexico opposition mounts challenge

By Leslie Crawford and Daniel Dombey in Mexico City

Mexico's newly elected congressmen have already embarked on their first round of power-broking without even waiting for the final results of Sunday's mid-term elections.

According to the preliminary count, the ruling Institutional Revolutionary party (PRI) remains the largest party in Congress, but has lost its overall majority in the 500-seat lower house or Chamber of Deputies. The conservative National Action party (PAN) and left-wing Revolutionary Democratic party (PRD) will together have more seats than the PRI in the lower house.

The new congressional arithmetic, after 68 years of PRI governments, could fundamentally alter the balance of power between the ruling party and the opposition.

PAN and PRI deputies were yesterday vowing to transform Mexico's rubber-stamp Congress into an effective and independent branch of government.

In particular, they would like the new Congress, which is inaugurated in September, to debate a greater number of initiatives presented by opposition parties.

"In the outgoing legislature," says Mr Santiago Creel, a newly-elected PAN deputy, "the PRI was totally subordinated to President [Ernesto] Zedillo. The Senate, for example, did not discuss a single one of the 26 initiatives brought by the PAN. But PRI senators approved all the draft bills sent by the president."

Mr Creel estimates that while the PRI dominated the legislature, less than 1 per cent of opposition bills ever saw the light of day.

Deputies vow to transform rubber-stamp Congress

He said the PAN had already approached PRD deputies to find "points of convergence" in their political agendas.

The two parties would like to cut Mexico's 15 per cent sales tax, although Mr Creel stressed the rate would have to fall gradually. "It will be important to maintain the government's finances in equilibrium," he said.

The PAN, which now governs six of Mexico's 31 states and most of the country's big towns and cities, wants to allocate a greater share of the fiscal pie to local governments. The PRD, which won the mayoralty of Mexico City in Sunday's elections, will also want to have a say in next year's budget for the capital, which is allocated by the finance ministry and approved by the Chamber of Deputies.

Mr Porfirio Muñoz Ledo, a former leader of the PRD who will be a deputy in the next legislature, said: "The PRD will not be looking for alliances in Congress, but it will reach accords on a case by case basis."

The PRD's priorities, Mr Muñoz Ledo said, would include a definitive peace accord for the southern state of Chiapas, the scene of guerrilla activity since early 1994; promoting more state reforms, such as the professionalisation of the civil service; and a better career structure for the judiciary. "We also need to have a far-reaching national debate on Mexico's economic policies," he said.

The PRI has reacted to the unexpected electoral gains of the opposition by closing ranks behind President Zedillo. "There will be no change in the government's economic policies and we will continue to support them," Mr Alfredo Phillips Olmedo, an elected PRI deputy, said.

He said the PRI would support the already-approved privatisation of airports, ports and a minority stake in the state-run petrochemical industry. "But we are not selling Pemex [the state oil monopoly] and we won't sell the Federal Electricity Commission," Mr Phillips Olmedo said.

Tougher times: PRI president Humberto Roque Villanueva concedes his party no longer has an absolute majority AP

Peru launches round two of sell-offs

By Stephen Fidler in London and Sally Bowen in Lima

Peruvian officials have launched the second stage of an ambitious privatisation programme with visits to potential investors in Latin America, Europe and the US.

The government, which has sold off companies valued at \$6.8bn (£4.25bn) to date, is planning to offer sales and long-term concessions.

Most are aimed at improving infrastructure, such as telecommunications, roads, electricity transmission, hydro-electric generation and irrigation.

One of the larger projects will be the long-standing Olmos project in northern Peru. This aims to divert water running into the Atlantic through a 19km tunnel beneath the Andes. It would simultaneously generate electricity and irrigate the desert coast on the Pacific side.

The concessions include the second cellular telephone band for all Peru outside Lima. Another is a 40-year concession for a 650km electricity transmission line to link the main central-northern and the southern grids, the first privately-built transmission line in Peru. Investment is expected of about \$220m.

Some of Peru's 16,000km of higher grade roads may also be transferred to private sector concession-holders. Concessions are likely for 20 or 25 years. The country's railway company, Enafer, is also being offered and the network, in need of heavy investment, is likely to be split into three.

According to Mr Roberto Abusada, an adviser to the Ministry of Finance, the government has received initial indications of interest in its plans to encourage foreign investment in agriculture, including some 200,000 hectares of potential sugar-growing lands previously run by co-operatives north of Lima.

Mr Abusada and other officials say the backdrop to this is an improved overall economic picture. Growth should reach 5.5 per cent this year, compared with the original 5 per cent target, and 2.8 per cent last year.

Meanwhile, the current account deficit should fall below 5 per cent of gross domestic product, compared with the originally expected 5.6 per cent. The deficit was 5.8 per cent last year and 7.3 per cent in 1995.

This fall is due in part to stronger export performance.

Exports have grown 18 per cent in the first five months of the year compared with the same period last year and non-traditional exports have grown by 40 per cent.

This is in part because mining and other investments made in the 1990s are now beginning to produce results, Mr Abusada said.

Jobs banquet for Omaha workers

Nebraska capital's employers are scouring the nation in an attempt to fill skilled vacancies

Stand-up comedians like to say: "Welcome to Nebraska. Set your clocks back 30 years." The popular view of this midwestern farm state may cruelly reflect its image as the very paradigm of insular American backwardness, but in the last year or two Nebraska has been turning back the economic clock back in a way most places would envy.

The mighty job-creating machine that is the US economy in the late 1990s is nowhere cranking out more employment than in Nebraska. While the country as a whole enjoys its lowest jobless rate for many years, it really is back to the 1960s in this state where unemployment now averages just 2.3 per cent of the workforce.

"Unless you are in some way actually unable to do a job, this is a place where you can expect to work if you want," says Mr Alan Frederickson, chairman of the Labour Availability Council of the Omaha Chamber of Commerce. One of Mr Frederickson's more enterprising activities involves sending out hit teams around the country whenever he hears of large job losses, with a brief to lure the dismissed workers to Omaha.

The condition of the local labour market – not so much tight as "strangulated" as one employer puts it – presents a study in miniature of US employment growth in the last decade. It is a highly flexible market, where companies can hire and fire employees quickly in response to short-term changes in demand, and where employees are willing to work, even in low-paid jobs.

Omaha, the state's largest city is, like much of the country, now dominated by labour-intensive service industry. Overall the city has added 85,000 jobs in the last 2¼ years, mostly in services.

Aside from the usual growth areas – restaurants, retailing and financial institutions – Omaha has seen explosive expansion in one particular field, telemarketing. The 1950s decision to site US Strategic Air Command at nearby Offutt Air Force Base brought the best telecommunications in the world to isolated Omaha. From those unusual beginnings, the business grew so rapidly that the city is now the US telemarketing capital.

At Dial America, one of the largest companies, Mr David Haller, managing director, has faced the familiar Nebraska problem of rapid turnover and labour shortages. "Demand is growing rapidly, but the jobs market makes things really difficult," he says.

Wages have had to rise in these competitive conditions, but, surprisingly perhaps, the increases have not been dramatic. The reason is that Mr Haller is able to fill jobs by reaching into a far wider pool of labour.

"With unemployment so low, we can't really target the unemployed if we are to fill vacancies; we have to look beyond them for labour," he says.

> 'Unless you are in some way actually unable to do a job, this is a place where you can expect to work if you want'

Most of Mr Haller's employees work part-time. Many of them have jobs already. Others – students, housewives, retired people – would not previously have entered the labour force, but have been attracted by the abundance of jobs.

This is typical of much of the country in the 1990s. The rapid growth in demand for low-skilled, low-wage jobs has been met by a remarkable expansion of the labour force. Today, 65 per cent of the adult population nationwide is working, compared with just 60 per cent 10 years ago. That growth accounts for more than half the entire jobs growth in that time, and has been an important in keeping wage costs under control.

Nonetheless, the fact that the unemployment rate is so low indicates that not all of the new jobs can have been filled by expanding the labour force: At the other end of the market, the picture is rather different. Chronic shortages in the availability of skilled labour cannot be met by new entrants. Companies are going to extreme lengths to find available workers.

A few months ago, Mr Paul Nippard was at home in Canada reading the latest edition of an international computer magazine. The 33-year-old technology services consultant's eye was caught by an advertisement pleading for skilled workers in Omaha.

"I faxed off my resumé; within a couple of weeks I had 15 calls back from interested companies in Omaha." Narrowing the field to manageable proportions was difficult, but eventually he chose a medium-sized company specialising in business services, and moved to Omaha a few weeks later.

Luring these top-end workers into jobs is best done by raising pay. Mr Nippard commands a higher salary from his new employers and knows his skills put him in great demand in his field.

This is increasingly the local and national picture in the US labour market: new participants fill jobs at the lower end of the wage scale, but a growing shortage of qualified labour pushes up salaries sharply at the opposite end.

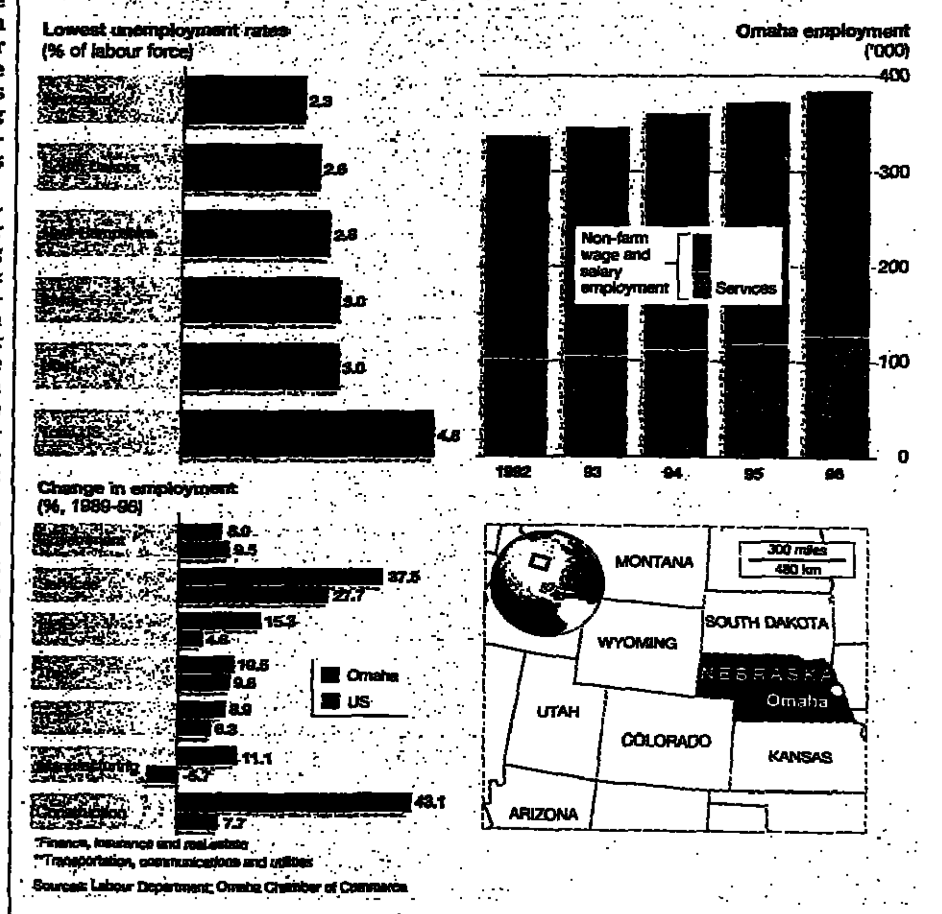
In the past US companies have proved remarkably successful at bridging the gap between the two by investing heavily in their own employees, so that entry-level workers frequently move on to higher-skilled, higher-paid jobs.

But the problem now is that the gap is probably wider than it has ever been. As the technology-based jobs at the top end grow more sophisticated, routine service jobs are done by less and less suitable candidates for development – increasingly, part-time workers entering the labour force for the first time.

"We're all having to lower our criteria for hiring new employees," says Mr Frederickson. It may be good news for the workers, but it is placing increasing strain on Omaha's employers.

Gerard Baker

Additional reporting by Heather Bourbeau



Salvador wins a Moody's plaudit

By Stephen Fidler, Latin America Editor

El Salvador has become the latest country in Latin America to qualify for potential investment grade rating. Moody's Investors Service, the US credit rating agency, assigned a Baa3 sovereign ceiling to bond issues from El Salvador.

Moody's has been traditionally sterner than other rating agencies, including its main rival Standard & Poor's, in awarding investment grade ratings to Latin American countries. It assigns investment grade only to Chile and Colombia in Latin America, while Panama has a Baa1 sovereign ceiling and its government has a sub-investment grade rating.

It said El Salvador's economy had expanded at an average rate of 5.4 per cent since 1990, inflation was heading towards single digit rates and the fiscal deficit had been kept to 1.2 per cent of gross domestic product.

Exports had increased at an average annual 18 per cent since 1990, with assembly plants accounting for 42 per cent of exports. Remittances from the 1m Salvadoreans abroad amounted to more than \$1bn annually since 1994. Debt of \$2.48bn is equivalent to 24 per cent of GDP.

The debt service bill as a percentage of exports was around 12 per cent, a manageable level, and most of the debt was owed to multilateral agencies and foreign governments, Moody's said.

It attributed the country's improved economic position to structural reforms which increased efficiency and competitiveness. Trade liberalisation had reduced the average tariff rate to 5 per cent, while privatisation had been sweeping, top rates rate of income tax had been lowered and reforms passed aimed at stimulating foreign investment.

However, a continued appreciation of the exchange rate in real terms could complicate efforts to diversify exports further.

Venezuela economy set on a recovery path

By Raymond Colitt in Caracas

The Venezuelan economy grew by about 1 per cent in the first half of the year, the strongest indication yet of recovery after nearly four years of stagnation and a 1.6 per cent contraction last year.

The strongest growth occurred in the vehicle, power, and construction sectors. Sales of vehicles were up 166 per cent in the first six months compared with the same period last year.

"The tendency is clearly towards economic recovery," said Mr Freddy Rojas Parra, minister of industry and commerce.

The recovery was largely fuelled by high levels of foreign investment rather than by a recovery in consumer demand, he added.

"It will be some time before the purchasing power of Venezuelans recovers enough to prompt growth in consumer demand."

Some independent analysts are predicting growth in gross domestic product of up to 5 per cent for this year, but Mr Rojas held fast to the official 4 per cent target.

He expects unemployment to fall 2 percentage points by the end of the year from present 12 per cent.

According to Mr Teodoro Petkoff, planning minister, bringing down the unemployment level, estimated by unions to be about 20 per cent, was one of the principal challenges facing the government.

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■ British Airways strike starts today ■ Many London flights to be cancelled

Tough ultimatum is sent to staff

By Michael Skapinker, Robert Taylor and John Kampfner

British Airways yesterday warned cabin crew who are due to go on strike today that they will not be allowed to return to work unless they agree to take no further part in disruption.

Passengers can expect severe inconvenience during the three-day strike. BA said it would cancel half its long-haul services from London's Heathrow airport and two-thirds of intercontinental flights from Gatwick. Three-quarters of mainland European flights from Heathrow will be cancelled.

The strike has been called by the Transport and General Workers' Union, which says BA has imposed a pay restructuring deal on its members. Cabin Crew 89, a rival union, said its members would work normally and predicted that "unprecedented numbers" of TGWU members would cross their own union's picket lines.

The airline said some staff who had agreed to work had spent last night in hotels at Gatwick and Heathrow so that they could avoid intimidation. Many cabin staff appear, however, to have decided to avoid the conflict by taking sick leave. BA said that over half the 2,000 cabin crew employees rostered for outward bound flights from the UK had telephoned in sick, forcing the airline to cancel 31 flights.

This compared with the 115 cabin crew who were absent from work through illness on an average day. BA said staff claiming to be ill would have to produce doctors' certificates. If they did not, they would be assumed to have been on strike.

As well as requiring strikers to give assurances that they would work normally, BA has said that employees who failed to report for work would be denied promotion or staff travel discounts for three years. The company has also threatened to dismiss cabin crew on strike for breach of contract and has said they could be sued for damages for losses incurred by the company.

Talks yesterday under the auspices of Acas, the conciliation service, failed to produce agreement. Mr George Ryde, the TGWU's chief negotiator, said: "We are still prepared to have full negotiations without preconditions." He added that the TGWU was ready to meet BA's demand for £42m ($71m) savings from cabin crew and to discuss future relations between the union and the company. The airline has asked for the savings as part of BA's plan to cut costs by £1bn. BA says the savings will come from lower pay for new recruits and that existing cabin crew will not suffer financially.

Aides to Mr Tony Blair, the prime minister, yesterday sought to distance him from the dispute. He was said to be "hopeful of a resolution" but was determined not to interfere.

However, the strike threat has given Labour leftwingers an opportunity to demonstrate their allegiance to the trade union movement in the face of Mr Blair's close links with Mr Robert Ayling, BA's chief executive, and senior industrialists in general. At least 22 Labour MPs will today publish a parliamentary motion attacking "the tactics of intimidation being pursued" by BA.

Shadow cast over profits and morale

Did Mr Robert Ayling, British Airways' chief executive, engineer today's strike by cabin crew as a way of smashing trade union control over the airline?

Several trade unionists have made this allegation over the past few weeks and some airline industry managers believe it, too. They say Mr Ayling was tired of the way the Transport and General Workers' Union was obstructing plans to cut the airline's costs and decided to provoke a confrontation.

If Mr Ayling was looking forward to today's industrial action, he kept his feelings well hidden. His mood in the past weeks has been a mixture of apprehension and defiance rather than eager anticipation.

Moreover, if he had engineered today's strike, shareholders would be justified in calling for his dismissal.

One impact will be on BA's profits. Travellers began switching bookings to rival airlines as soon as the union announced last month that its members would strike over pay.

Analysts say they cannot yet calculate how much this week's disruption will cost the airline. But last year, when BA's pilots threatened to go on strike, the airline's operating profits fell by £15m ($25.3m) even though the dispute was settled before any flights were cancelled.

Nor will the damage be confined to this year. BA has now suffered two consecutive summers of industrial action or the threat of it. Passengers making their arrangements next year might play safe by booking with a non-union airline.

The dispute has damaged morale. Managers recognise that, when the strike is over, they will have to work hard to get staff to smile again.

But while BA executives might not have wanted the strike, they intend to use it to change the pattern of industrial relations in the airline cabin. BA says that it has nothing against the TGWU nationally. It has reached cost-cutting agreements with the union in other parts of the airline.

The company's complaint is about the British Airlines Stewards and Stewardesses Association (Bassa), the TGWU cabin crew branch. BA says the origins of the dispute lie in Bassa's battle with Cabin Crew 89, a smaller union. BA says that Bassa walked out of negotiations, leaving it with no option but to conclude a pay deal with Cabin Crew 89.

Mr Ayling has accused Bassa of behaving like a 1970s-style union. But trade union law has changed since then. Union bosses can no longer bully members into striking. Cabin crew voted to strike in a secret ballot. They could have rejected the strike call.

BA executives will have to ask themselves why they failed to sell their vision to thousands of cabin crew.

Michael Skapinker

. . . and Roger Beale's view

Mitchell sets deadline for weapons talks

By John Murray Brown in Belfast

Senator George Mitchell, chairman of the talks among political parties about the future of Northern Ireland, yesterday issued an ultimatum to the parties to agree a common position on paramilitary arms by the end of the month.

In the first plenary session since the weekend riots triggered by a march by the Protestant Orange Order through a nationalist area of Portadown, the nine parties agreed to vote on the weapons issue on July 23.

With an agreement in place, the talks could move to the substantive political negotiations on the region's future when they reconvene in September. However, Mr Seamus Mallon, deputy leader of the moderate nationalist Social Democratic and Labour party, warned that if no agreement is possible, further talks "would be fulfilling no purpose".

Yesterday's session was overshadowed by a dispute between Ms Mo Mowlam, the British government's chief Northern Ireland minister, and the SDLP after publication of a leaked official document indicating that the decision to force through last Sunday's march through Portadown had been taken more than two weeks ago.

The document suggested that there was already "a consensus" on the march as early as June 20 between Ms Mowlam, the police and army chiefs.

It also emerged that the marching proposal had the backing of Mr Alastair Graham, the parades commission chairman, who under legislation due to be passed later this year is meant to be an independent adjudicator on contentious marches.

Ms Mowlam admitted that she had "a lot of trust and confidence to rebuild" among the minority nationalist community. However, she stressed that the document, in which a senior government official outlined the case for using police and British soldiers to force the march through the nationalist Garvaghy road, was merely an "initial consideration".

Her standing with nationalists appeared to be further undermined when Mr John Hume, the SDLP leader, said he wanted an immediate meeting with Mr Tony Blair, the UK prime minister. He said in an apparent snub to Ms Mowlam: "This is a matter that has to be considered at the highest level."

The continuing wrangle is certain to heighten tension in advance of further Orange Order marches this Saturday. Orangemen are due to march through Roman Catholic areas in Belfast and Londonderry, the two largest cities in Northern Ireland. They will be commemorating the Battle of the Boyne in which the Protestant Prince William of Orange defeated the Roman Catholic King James II of England in 1690.

Ms Mowlam conceded that an accommodation looked unlikely with nationalists refusing to talk to her in the wake of the Portadown decision. The Rev Ian Paisley, leader of the Protestant and fiercely anti-nationalist Democratic Unionist party, dismissed Ms Mowlam's call for generosity on the marches as "the talk of a mad woman".

The Ballynafeigh Lodge of the Orange Order in South Belfast insisted that it would march along the Ormeau Road, a flashpoint ever since Protestant "loyalists" murdered five people in a local betting shop in 1993.

● Security experts believe the Irish Republican Army may have rebuilt its capacity to strike in mainland Britain following setbacks brought about by the infiltration of the group by British intelligence organisations, Jimmy Burns writes. According to security officials, the IRA may have at least one unidentified active unit with the potential to carry out a large terrorist attack.

It is thought the IRA has been rebuilding its mainland capacity after the arrest last year of six of its members. The arrests followed an operation involving the British security service MI5, Special Branch officers, and Republic of Ireland police.

The six were sentenced last week at the Old Bailey, the London central criminal court, to a total of 210 years for conspiring to cause explosions.

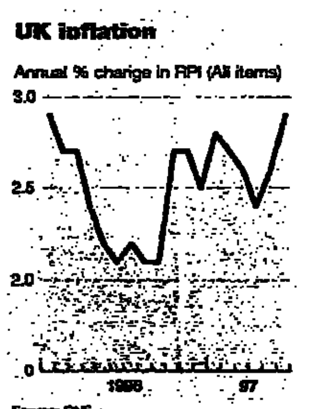
The court heard that they planned to black out London and the south-east by bombing electricity sub-stations.

24 hours in Northern Ireland

Police seize 270 petrol bombs in Coalisland
Shops in Newry looted after attempt to burn them
Burst of more than 20 shots heard in north Belfast
More than 100 petrol bombs thrown at police in Londonderry and more than 200 in Strabane
Gang in Lurgan seizes truck loaded with chemicals but fails to make them explode
Policeman wounded by gunfire in Portadown
Halls used by Protestant Orange Order damaged by fire in Moy and Ballycastle
Senior Belfast firefighter says his teams have been kept away from some fires in the city by armed men
Member of Protestant paramilitary group found dead by river in Belfast; believed to have been handling primitive bomb

Government fails to hit its own inflation target

By Wolfgang Münchau, Economics Correspondent



The government missed its self-imposed inflation target in its first month of office, official figures showed yesterday. Their publication came amid growing pressure on the Bank of England to raise interest rates this week.

Underlying inflation, excluding mortgage costs, rose from an annual rate of 2.5 per cent in May to 2.7 per cent in June, the first firm evidence that inflationary pressures are building up in the economy.

The all-items inflation index went up from an annual rate of 2.6 per cent to 2.9 per cent. The main factors behind the rise in inflation were increases in housing costs and seasonal food prices.

The inflation data pushed the pound to its highest trade-weighted index since October 1990. Against the D-Mark, sterling ended 3.2 pfennigs up at DM2.9715, strengthening further in late afternoon trading.

The figures corroborate other evidence of above-trend growth, such as an 11 per cent rise in house prices over the last year, strong growth in bank lending and the highest retail sales volumes since 1988. Up to £35bn ($59.15bn) in windfall gains from the flotation of building societies [mutually owned home loans and savings institutions] will give further impetus to consumer spending.

The mix of a consumer boom and a depressed manufacturing sector constitutes an early test of the Bank of England's independent monetary committee, which holds its policy meeting today and tomorrow.

Its task, as defined by the government, is to set monetary policy to keep underlying inflation – excluding housing costs – close to the target of 2.5 per cent, with a 1 per cent margin for error. Economists say the Bank may be in danger of missing this target unless it acts soon on interest rates.

Mr Kenneth Clarke, who was Conservative chancellor of the exchequer until the May general election, yesterday called on the Bank "to resist the temptation to respond to fashion in the City and keep piling those interest rates up further. If it goes up by a half that will be very bad".

● Export orders in the engineering industry have slipped to their lowest level since the early 1990s recession, while the effects of the strong pound are "rippling into" the domestic economy, the Engineering Employers' Federation said yesterday, Peter Marsh writes.

In its latest quarterly report on trends in the industry, the EEF said engineering companies' confidence was beginning to suffer markedly because of the high pound and possible increases in interest rates.

The 18 per cent strengthening in the pound against other main currencies in the past year was in some cases "making companies unable to compete" in export markets, according to Mr Alan Armitage, head of economics at the federation.

The UK engineering industry accounts for total sales of about £170bn ($287.3bn) a year.

Editorial Comment, Page 11

BBC ready to expand World Service radio

By Raymond Snoddy in London

The BBC would like to launch a new 24-hour World Service radio channel to complement its existing English language service, it emerged yesterday when the public service broadcaster published its annual report.

The proposal will need the approval of the Foreign Office which funds the World Service, but the cost is not thought to be large.

An extensive review of all the BBC's news and information activities has been launched to ensure the corporation is meeting the needs of its audience.

BBC Worldwide, the commercial arm of the corporation, increased turnover from £338m ($571m) to £354m last year, but the "net benefit" to the BBC fell from £76.7m in 1995-96 to £73.5m in 1996-97. Net benefit is defined as the cashflow generated by Worldwide plus money invested back into programmes. Profit before interest and tax fell from £12.7m to £8.7m.

Worldwide was hit by the closure of the BBC Arabic television news service.

Mr John Birt, the director-general, believes that "the editorial strength and the competitive shape of our channels and networks have never been stronger".

In spite of increasing competition from cable and satellite channels and new commercial radio stations, the BBC maintained its share of viewing and listening in the UK at 45 per cent.

"More tellingly, 95 per cent of all households tune in to the BBC for at least two hours every week – a figure that has remained constant for the last three years," Mr Birt said.

The report showed a record surplus of £520m. In the year to March, the BBC had total income of £2.23bn.

Mr Birt said yesterday he was setting a target of more than 20 per cent savings over five years.

● Mr Chris Smith, the chief minister responsible for bradcasting, suggested yesterday that the government would probably have to produce a new broadcasting bill within the next two or three years.

He told the annual Radio Festival in Birmingham that the rapid changes in digital television would make legislation necessary.

UK NEWS DIGEST

Brussels backs payment rule

The European Commission is expected to adopt a report today that recommends a statutory right to interest on commercial debt and a requirement for public bodies to pay interest automatically if they fail to settle bills within 60 days.

Adoption of the report, produced by Commission officials, would be the first step towards a European Union directive putting the force of law behind efforts to reduce the incidence of late payment of commercial debt.

The report shows that the late payment record of European companies has worsened since Brussels tabled initial recommendations two years ago. It says that "lack of action... by most member states" since the 1995 recommendation justifies a directive setting down minimum requirements.

According to the report, average payment times lengthened in Europe last year, so that on average all payments were 15 days overdue. This has "serious consequences for all European firms, in particular small and medium-sized enterprises whose cash-flow, profitability and competitiveness are undermined".

The report also argues that late payment is hindering trade between member states and "the smooth functioning of the internal market". *Katharine Campbell, London*

■ PENSIONS MIS-SELLING

Clear-up costs 'will top $6.8bn'

The Association of British Insurers warned yesterday that the costs of clearing up the pensions mis-selling scandal were set to soar above £4bn ($6.8bn) after an additional £500m burden caused by the abolition of tax credits for pension schemes.

Today the government will publicly castigate two companies for solving less than 1 per cent of their mis-selling cases. Its list of the progress of the 24 worst offenders will show that only two companies have sorted out more than 10 per cent of cases, despite strict deadlines to complete 90 per cent of their cases by the end of the year.

"Companies are no longer asking did we mis-sell, or has there been a loss; they are just asking, what will it cost to clear this up?" said Mr Mark Boléat, director-general of the ABI. Pension companies were spending £300m a year on administration related to mis-selling, he added.

More than half a million people may have been wrongly advised to leave generous occupational schemes for personal pensions in the late 1980s and early 1990s. But efforts to provide compensation have dragged on for three years. *Christopher Brown-Humes, London*

■ TRANSPORT POLICY

Immediate funds boost demanded

The government must make an immediate switch in its spending priorities to provide more funds for transport including roads, rail and the London Underground, the Confederation of British Industry, the largest employers' lobby, said yesterday.

"The crisis in the UK's transport system is already so serious that action cannot wait for the longer-term strategies to be put in place," said Mr Peter Agar, CBI deputy director-general.

Mr Agar said the CBI recognised that the government had said there could be no overall increase in government spending but he called for a re-allocation of budgets to favour transport infrastructure.

It urged the government to consider trials of charging motorists to enter towns and to continue trials of motorway tolls. British motorways are toll-free though a few river bridges make a charge. *Charles Batchelor, London*

■ INTERNATIONAL THEFTS

Police plea over $3m jewellery

Police in London yesterday put on display £2m ($3.4m) worth of jewellery recovered from safety deposit boxes. Officers believe many of the items may have been stolen from shops in Europe, Japan and Hong Kong.

The items, which include watches and handbags, were discovered when police executed search warrants on the deposit boxes in central London.

Detective Inspector Peter Johnstone said: "We strongly suspect it is stolen and are appealing to people who sell jewellery, who may have had some stolen, to come forward so we can trace its origins. To say we were surprised to find this value of property is an understatement."

$3m fraud on banks leads to conviction of 'stooge'

By John Mason, Law Courts Correspondent

A nationwide £2m ($3.4m) fraud on the banking system has ended with the conviction at Birmingham Crown Court of one of its perpetrators for obtaining property by deception.

A further 12 people involved had previously pleaded guilty to various charges.

All the main clearing banks were victims of the fraud which involved manipulating the Clearing House Automated Payment System (Chaps) between December 1995 and May 1996.

The fraud involved the forgery of a letter of authority from a customer of a bank requesting money to be transferred to an account at another bank.

Those whose accounts were misused were all limited companies with records filed at Companies House, the official registry in London of all company records.

The conspirators would approach the companies, pretend to be making a transaction and ask for their banking details, supposedly to make payments through the Chaps system.

The companies' letterheads and directors' signatures were then forged from records at Companies House.

For the scheme to work, the main conspirators had to find people willing to use their accounts to receive the money in return for keeping a percentage for themselves. The fraudsters spread their efforts around the country in an attempt to avoid detection. However, they repeatedly misspelt "yours sincerely" without its second "e" in all the forged documents, thereby establishing the connection between the individual frauds.

Mr Philip Lewis, the Serious Fraud Office lawyer attached to the case, said: "This fraud was alarmingly simple to carry out. Had the defendants succeeded in all their efforts, the loss would have been over £7m at the time their activities were stopped."

Mr Richard Culverhouse, one of ten "stooge" recipients of the stolen money, was found guilty by a jury of obtaining property by deception. He will be sentenced later.

The five main organisers of the fraud and seven other recipients had earlier pleaded guilty to various offences.

INFORMATION TECHNOLOGY

Do-it-yourself forex deals

By next year, a Savile Row shirtmaker will be able to buy £1m worth of Italian lira without having to talk to anyone at the bank.

That is good news for small companies, and more bad news for banks' forex dealers – 1,000 are said to have lost their jobs in London alone in recent years.

The leading banks in foreign exchange are racing to perfect currencies trading on the internet. Reuters, the media company, is working with several banks to create intranet dealing. The banks would provide prices to their own branches as well as to clients.

A number of companies already display currency rates on the web. But customers who want to buy or sell still almost always need the services of a human trader at some point. That can be costly and time-consuming: it can also create a crucial delay – for instance, stopping a small company from buying just when the D-Mark is trading a few ticks lower, as on hectic days most traders service biggest customers first.

A few currency deals no longer involve a trader at all. But bankers say the proportion is set to rise fast from less than 1 per cent of all trades to close to 50 per cent.

Customers, who today might ring three banks for prices and deal on the best one, will instead call up the banks' web pages, compare prices, and trade simply by pressing buttons.

One forex banking executive says his bank is "inches away" from solving the security issues that form the last big obstacle to web trading.

However, Graham Edwards, managing director of global forex at Merrill Lynch, warns: "The cost is phenomenal."

The internet could bring a revolution to the currencies industry. It will do more than simply execute trades, says Albert Maasland, global head of marketing at Deutsche Morgan Grenfell.

It will also help banks to automate such "plain vanilla" tasks as revaluing their customers' currency positions, carrying out risk analysis and explaining how day-to-day exchange rate moves affect clients' profit and loss accounts.

Maasland says this will free banks to offer more complex services, such as forecasting exchange rate moves. Others in the industry are more pessimistic about the effects of the web. The head of foreign exchange at one leading bank forecasts that a third of staff in the industry face losing their jobs. "The next wave of redundancies will be technology-based," he says. Thousands of traders lost their jobs in the mid-1990s when electronic broking systems cut margins on trades by making it easy for even small banks to discover the best price in the market.

Banks are sure that many of their small customers will want to trade on the internet. Large ones, they believe, may be less interested.

Robert McKnew, Bank of America's head of foreign exchange, says: "I am a real sceptic on this. I do not understand why a sophisticated customer who is doing large transactions would want to do them without talking to somebody." Traders can, for instance, offer clients crucial information on how the market is moving.

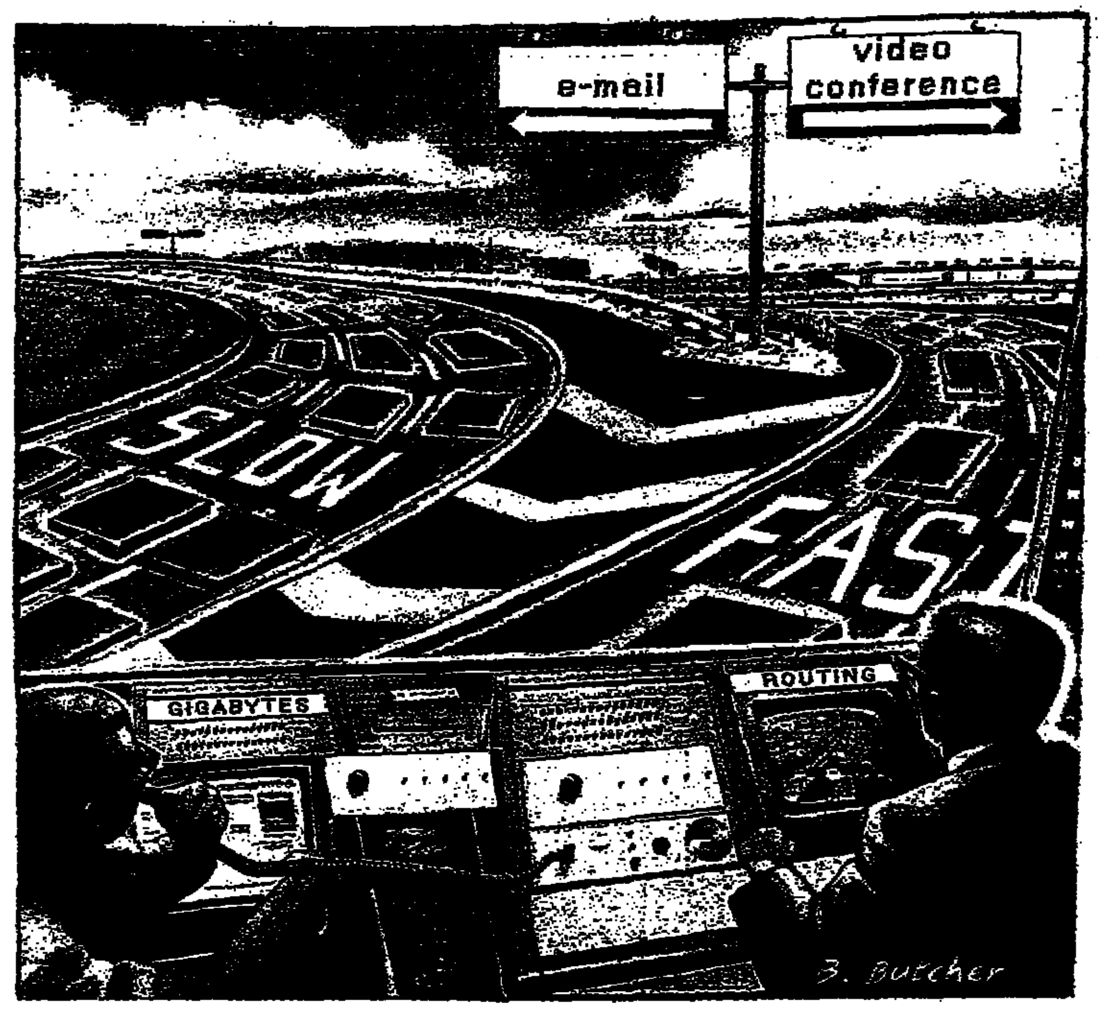
However, even big clients may soon carry out simple, small deals on the web. "It makes a great deal of sense to have the Mickey Mouse deals done in a cheaper and quicker way," says one asset manager who is a client of several foreign exchange banks.

Simon Kuper

Using the net · **Richard Poynder**

Traffic moves into the very fast lane

Networks are being developed to deliver information up to 1,000 times quicker than today's internet



New high-speed networks being developed by the academic and research community are set to spearhead the transformation of the internet from today's unreliable side road into tomorrow's multimedia superhighway.

Internet2 – the brainchild of a consortium of more than 100 US universities – plans to deliver information at speeds of between 100 and 1,000 times faster than today's internet. Designed to provide a range of broadband network applications, including online collaborative research, distance teaching and video-conferencing, the new network will connect participating campuses at more than 600 Mbit/s (million bits per second) – fast enough to transmit a 30-volume encyclopaedia in less than one second.

To be built over the next two years, Internet2 will eventually operate at speeds as high as 2.4bn bits, or 2.4 gigabits, per second. That compares with just 56,000 bits per second for the fastest modem now available.

Meanwhile in Europe, a new European Union-funded network, TEN-34, was recently launched by a consortium of European national research networks. Initially running at 34 Mbit/s, TEN-34 will later reach 155 Mbit/s.

The primary focus of both projects is to improve internet access for the academic community. Yet others are expected to benefit. "An explicit goal of Internet2 is to disseminate its developments to the broader networking community, benefiting everyone that uses the internet," says Greg Wood, Internet2 communications director.

Although less ambitious than Internet2 in bandwidth terms, TEN-34 will enable the academic community to use real-time multimedia applications – such as video-conferencing and multimedia broadcasting – for the first time on a pan-European basis.

Moreover, as Wood points out, increasing the speed of the network is only part of the task ahead. "Internet2 is not just about faster pipes," he explains. "It also sets out to implement solutions to other network parameters that are as important as – and in some cases more so – bandwidth."

To understand the issues involved it is helpful to think of the internet as a national road network. In contrast to the circuit-switched approach of the telephone system – when you pick up the phone, you get a piece of the network entirely dedicated to your call – information sent over the internet is broken up into small data packets. These packets – like cars on a road – are then mixed with everyone else's packets, and transmitted across the network as a stream of traffic. The packets then navigate the network by moving from junction to junction.

At each junction a "router" establishes where a packet is going, and passes it on. Like motorway traffic, regardless of the speed with which they travel across the network, packets tend to tail back at the routers.

One of the aims of Internet2, therefore, is to install and test a series of new high-speed "gigapops" (gigabit capacity point of presence) capable of routing packets more quickly through the network. To help achieve this, one of Internet2's corporate partners, Cisco Systems, plans this autumn to launch a new Gigabit Switch Router designed to support speeds of 2.4 gigabits per second.

Multimedia content poses a more serious challenge. Historically IP – the software protocol responsible for determining how packets are routed across the internet – has worked on the democratic principle that all packets are equal. While this is adequate for the transmission of files and e-mail messages, it poses problems when attempting real-time applications such as video-conferencing, where voice and vision must be synchronised.

"To avoid undistorted high-quality video on the internet it is necessary to be able to differentiate between packets," says John Patrick, vice-president for internet technology at International Business Machines, an Internet2 corporate partner. "Then you can move packets associated with, say, a video-conference into the passing lane, accelerating them through the network, while putting e-mail packets in the slow lane."

The growing need to distinguish between packets, coupled with increasing calls from corporate users for guaranteed data delivery times, has stimulated the development of a number of new "quality of service" technologies. As well as assessing various methods for packet prioritisation, Internet2 and TEN-34 will be testing the Resource Reservation Protocol (RSVP), designed to allow users to "book" a guaranteed block of internet bandwidth.

In addition, they will be evaluating IPv6, the next version of the IP protocol.

Among its enhancements is the ability to multicast – instead of swamping the internet with multiple copies of identical packets, the packets are duplicated only if they arrive at the local network level.

Also being tested is ATM (Asynchronous Transfer Mode) – a very high-speed switching system. Because – unlike IP – it holds a channel open for the duration of a call, ATM is thought to be ideal for the real-time requirements of sound and video. Moreover, its switching approach to data transmission offers benefits over routeing methods.

Patrick explains: "Today if you send an e-mail from New York to San Francisco over the internet, the packets may undergo 15 or more hops from one router to the next before reaching their destination."

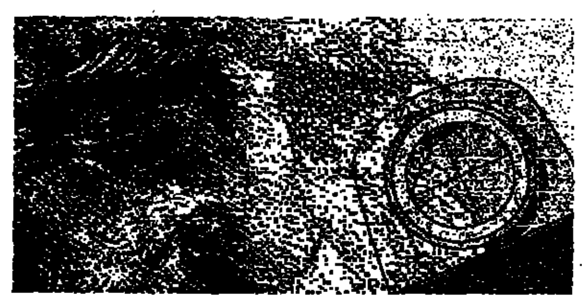
Each hop, he adds, slows a packet down and increases the likelihood of packet loss – routers throw packets away when they get overcrowded. Nevertheless, given the pervasiveness of IP, Patrick expects that routeing and switching techniques will simply merge.

"In this way your message could be sent to a router directly connected to a switch in New York, which could connect directly to a switch in San Francisco. This in turn could connect to a router in San Francisco, which would pass it to its destination. Instead of 15 router hops there are just two."

With this aim in mind, a number of companies, including Cisco, have developed hybrid techniques combining routeing and switching methods. However, upgrading the internet comes at a price, cautions Dai Davies, general manager of TEN-34: "The internet has grown up on the myth that it is free," he says. "But it hasn't changed network economics. One of the bullets people will have to bite is that if they want quality of service they are going to have to pay for it."

Information Technology
The FT's review of Information Technology appears on the first Wednesday of each month

Watching brief



A safer place to keep your money

The problem with electronic wallets is that they don't fit some pockets: the software on the customer's computer which controls payments is typically too bulky for low-memory network computers and personal digital assistants.

One solution is a new payments service called BlueMoney Wallet. The customer need only have the standard encryption software, built into a PC browser such as Netscape's Navigator. With communication disguised by this security software, the user notifies a remote server computer of the identity of the payee.

It is on this larger machine, and not on the user's own, that information such as credit-card number and address is stored. BlueMoney makes its money by selling software enabling commercial web sites to accept payment by this indirect means. Its "merchant server" sells for $1,495.

BlueMoney, US: web www.bluemoney.com; e-mail sales@bluemoney.com; tel 415 322 9287

A browse through Memphis

A trial release of Memphis, the forthcoming version of Microsoft's Windows operating system, has been unveiled.

There are several technical improvements, but the most important advance is the integration of internet functions. Memphis, which will probably be called Windows 98 because it is unlikely to be released this year, is as much a web browser as it is an operating system for personal computers.

The Windows desktop itself behaves much like a web page, with objects or text leading the user both to files within his or her computer and to destinations on the internet.

Among other improvements, the new combined operating system and browser will allow browsing of downloaded web pages off-line. Updates to web pages to which the user subscribes will be automatically notified, for example.

Microsoft, US: web www.microsoft.com

Out of the giant's territory

Netscape, facing growing competition from Microsoft in internet browsers for personal computers, is to shift some of its development effort to a computing platform which the software giant does not dominate: the lightweight network computer backed by Microsoft rivals such as Oracle.

It is developing browser software in the Java language on which the network computer will run. The product, which competes with lightweight browsers such as NetDiver from IBM, will allow access to the internet through the familiar Netscape Navigator interface from pared-down network computers and information appliances such as personal digital assistants.

Microsoft is promoting its Internet Explorer by integrating the browser software with its Windows operating systems on which most personal computers run; however, it has fewer inbuilt advantages in developing software for network computers.

Netscape, US: web www.netscape.com; fax 415 528 4214; tel 415 254 1900

Loadsamoney: PCs do not have enough room for electronic wallets

Slimmer system for assistants

Sun Microsystems, the computer company which has backed the development of the Java computing language for networks, is launching a cut-down operating system for small computers, such as hand-held digital assistants.

PersonalJava, the specifications of which Sun has released in the past fortnight, allows machines on which it is installed to run most applets written in Java. It supports the most important features of the language, but requires less than 2MB of Ram memory.

Sun Microsystems, US: web java.sun.com/products/personaljava; tel 512 434 1591

There's no place like a home PC

Bob Frankenberg, the former chief executive of Novell, is back on a smaller scale with a new venture to make web site design and management easier for small businesses.

His new venture, Encanto Networks, is designing a "domesticated" web server application which will contain everything a web site builder needs.

It allows users to host a web site on their personal computers rather than pay the standard fee of between $200 and $300 a month to an outside company hosting sites on a remote computer.

Encanto Networks, US: web www.encanto.com; e-mail info@encanto.com; fax 408 588 9498; tel 408 492 1212

Chips take on a life of their own

Researchers at the University of Sussex are claiming, as are an increasing number of scientists, to have given computers the ability to evolve.

The developers at the university's centre for computational neuroscience have developed a technique based on a special kind of programmable computer chip.

The process generates randomly a large number of configurations of the chip, and crossbreeds the formats that seem to perform best. Evolved circuitry is expected to make far more efficient use of space.

Information Office, University of Sussex, UK: tel 01273 678754; e-mail adrianth@cogs.susx.ac.uk

ARTS

Television / **Christopher Dunkley**

Backlash against the weathergirls

In his account of *The Legend of George Rex* on Channel 4 on Saturday, Kenneth Griffith was as passionate, mischievous and quirky as ever. It has been fascinating to watch this good but not particularly eminent actor, during the second half of his life, turning himself into one of television's most inspired and watchable journalists – and, for those who disagree with his radical and parti pris views, no doubt one of the most infuriating.

Historians of the royal family will tell us whether there was anything new in his account of the life of "George Rex", supposedly the eldest son of George III and, as such, begetter of an *entire line of claimants to* the British throne.

Having not even heard of "Rex" (the significance of whose surname was never mentioned, unless I missed a line) I can only say that, once again, Griffith told a wonderful story, playing all roles as usual from young men *to old women*, and walking us through the relevant locations from Kew Church, which once housed the first Rex marriage certificate, so mysteriously stolen, to the house in Knysna at the southern tip of Africa *where Rex lived out his* exile. The fate of the first wife and the reason for banishment were none too clear, but that may not be surprising given the "conspiratorial secrecy" which, Griffith asserted, surrounds the case.

It is a phrase which covers much that is most disturbing and – to anyone who believes in freedom of information and expression – most alarming about British public life. "Conspiratorial secrecy" has been at the centre of the first two excellent programmes in a new series of *Secret History*, also shown by Channel 4. The story told in "*The Tragedy of HMS Glorious*" was bad enough, with its revelation that, if they had had their way, the politicians (and bureaucrats?) would have smothered until 2041 the shameful ineptitude and/or heartlessness which *left 1,500 men of the Royal* Navy to drown in the sea off the coast of Norway in 1940.

Worse in a way was "Lords of The Underworld". Those who read Private Eye and modern political biographies may not have found many details here which were new to them, though I *had not realised that Bob* Boothby and Tom Driberg shared the pleasures of one young male partner, thus partly, perhaps, explaining the cross-party cover-up which seems to have been achieved with such effortless success. It was not fresh facts which gave the pro*gramme its impact*, but the way that writer/director Simon Berthon pulled together all the threads and interviewed witnesses to produce a tapestry of such clarity.

Yes, we knew about Booth*by's long affair with Dorothy* Macmillan, wife of the former prime minister. Yes, we knew about the way that Boothby and other politicians liked to socialise with the criminal Kray twins. But what Berthon brought out was the frightening way in which Boothby was able to *lie and sue his* way out of trouble, thanks to the connivance of so many among the high and mighty, plenty of them in the mass media.

In this programme, it was the evidence of people such as former tabloid editor Derek Jameson which brought out the contemptuous *ease* with which Boothby was able to wrap the protective cloak of the Establishment around him. This was a vivid, shocking, and excellent piece of journalism.

Yet another factual pro*gramme on Channel 4, A Bill Called William*, used highly effective methods to tell a closely connected story: the passing of the Sexual Offences Act through parliament in 1967. This legalised sex between male adults at the very time when Boothby, Driberg and Ronnie Kray were most *busily involved in* using bribes, threats and blackmail to get young men (many of them heterosexual, according to *Secret History*) into bed. The programme's technique looked simple: actors playing the main protagonists in the Commons and Lords to give a flavour of the debate at the time intercut with new interviews with some of those who played main roles, such as Leo Abse. He readily admitted here that some of the arguments he used to help the bill through were "absolute crap". The *programme's* greatest success was in accurately reproducing the spirit and feel of the time.

High quality programmes such as these are in ever greater need of notice and celebration because they prove that there are still pockets of resistance to the *Weathergirl Tendency*, which is beginning to overwhelm television. Thanks to this trend, programmes are dumbed down to a level best suited to what broadcasters appear to regard as the typical member of their audience: the happy moron. Presenters – weather girls, stand-up comedians, sportsmen – wave their hands a lot, waggle their heads winsomely as they address us, and speak in tones once reserved for instructional programmes aimed at children. Unhappily this is occurring not only on cable and satellite channels, where it is almost standard practice, and on the two big populist terrestrial networks, BBC1 and ITV, but on Channel 4, Channel 5 and even BBC2 as well.

In Channel 5's *Car Show*, seemingly an attempt to *emulate BBC2's Top Gear*, well-informed content comes a poor second behind appearances. The main presenter is that blonde celeb known affectionately to her fans as Marijuana Bra Strap (Mariella Frostrup). Nobody bothers to pretend that she is an expert on motoring: what *matters is that she* can be photographed draped over car doors, smiling out of windows, and even, on special occasions, clasping the steering wheel. For her male sidekick, the important thing is to seem as much as possible like Jeremy Clarkson, so he flings punchy sentences into the lens, and strides around the car saying things like "The rear lights are styled to fit the corners" as though they might have been styled to fit the ashtrays.

Similarly crass assertions are made in *Tracks* on BBC2 ("Mother Nature gave daddy longlegs six of the longest legs of any living creature." What, longer than a giraffe's?) And there is the same triumph of style over content: the disco music, the *presenter who thrusts his* face into the lens, and the condescending and jokey commentary. More and more television is sucked into this downward spiral, and yet there are still high quality programmes around ... but for how long, once programme quantity takes its next upward leap, come the digital revolution?

Theatre

A quick tour of good, evil

Director David Farr and his team at the Gate Theatre, Notting Hill, must be commended for their sheer audacity in attempting to translate *Candide*, Voltaire's slim but epic novel on to the stage. Astonishingly they have managed to retain not only most of the action of the novel, but also the episodic style of the original and, to a large extent, its wit and lightness of touch.

In *Candide*, Voltaire uses the misfortunes of his hero, an innocent abroad in a picaresque world of rogues and cheats, to provide a *reductio ad absurdum* of Liebnitz's theory that all is for the best in this best of all possible worlds.

In what was surely a labour of love, the adaptor Murray Gold has remained faithful to the absurdity of the plot but without stooping to coarseness and gimmickry. Gimmickry, in its most positive sense, is used to the full in the staging. This is, however, to quote the followers of Liebnitz, a necessary evil when attempting to map out a plot which covers several continents, a cast of thousands, earthquakes in Lisbon and the lost city of Eldorado.

The cast of 10, headed by Justin Salinger as a winsome Candide and including the excellent Janet Henfrey as a one-buttocked Old Woman, lead us at breakneck speed through the vicissitudes of their characters' fortunes. On the way we get a quick tour of the issues of good, evil, free will, and cause and effect.

All of this may sound rather indigestible stuff, but the ingenious realisation of this most witty of novels makes, paradoxically, a hugely enjoyable and entertaining evening.

On a stage the size of a postage stamp, Farr manages to create an authentic universe where life is short, nasty and brutish. With short scenes and moving tableaux he uses transparent gauzes and minimal props to maximum effect. Although the serious questions that Voltaire raised about our place in a hostile and cruel world are still dimly visible, what we mainly see is a rather wry yet benign picture of the naivety of optimism.

Sam Albasini

Box Office: 0171-229 0706 and 0171-229 5387.

Alastair Muir

The naivety of optimism: Rose Keegan and Justin Salinger in 'Candide'

Theatre / **Ian Shuttleworth**

Wife fails to provoke

What, exactly, *are* whibb-bobbs? I only ask because the word crops up in a graffito on one of John Gunter's backdrops for *The Provok'd Wife* at the Old Vic. The area represents a tavern wall on which is scrolled (among other all together less savoury remarks), "whibb-bobbs sold here," so we may assume bawdy intentions. The OED offers only "whibibbe", an obsolete form of "cubeb", a peppery Javanese berry. So is the anonymous tavern scribbler referring to spicy eastern delights of another kind, or is the word simply a coinage designed to seem period and louche, but not actually meaning a great deal in itself? If the latter, it serves as a microcosm of Lindsay Posner's production for the Peter Hall Company.

For no readily apparent reason, Posner's reading of Vanbrugh's play (staged in its 1726 version) simply feels anodyne: funny but not *very* funny, dark but not *very* dark. An uncertainty of mood prevails. Michael Pennington as Sir John Brute rumbles a lot but veers between making the Knight an out-and-out monster (as in his drunken attempt at one point to ravish his young wife) and a harmless comic butt: when Brute is apprehended by the Watch in his wife's gown, Pennington blunts the satirical edge of his speeches in female persona and turns in a panto-dame performance. Similarly, Victoria Hamilton pouts and knits her brows tentatively as Lady Brute.

The Provok'd Wife is more sombre than your average gadabout Restoration comedy, but never quite commits itself to exploring fully any of the avenues it opens up: the Brutes' marriage is a catastrophe undertaken for convention's sake, Lady Brute decides finally to requite her long-term suitor Constant (Andrew Woodall) merely to even the score of marital abuse, while the Brutes' neighbour Lady Fancyfull indulges her vanity by trying to stymie the match of Tim McInnerny's suave but honest Heartfree and Lady Brute's niece Bellinda (Clare Swinburne) on the grounds that if she cannot have Heartfree, no one else should. In Posner's production, these shadows do not so much provide depth and contrast as trip up the comic flow.

Nothing, however, interferes with the comic nature of Alison Steadman's performance as Lady Fancyfull. Offal dressed as mutton, shrieking like a patrician ancestor of her Mrs Bennet, Steadman gives by far the biggest rendition of the evening, but it enjoys no more success than any of the other unresolved portrayals in this blotchy production. And not, to the best of my knowledge, a whibb-bobb in sight.

In repertory at the Old Vic, London SE1 (0171-928 7616).

Pop / **Antony Thorncroft**

The Supreme touch

Sometime in the 1980s Diana Ross stopped being a singer and became an entertainer. At Wembley this week a reverential audience had come for just that, to be present at a laying on of hands, a barrage of hugging, a slurp of kissing, for an audience with the first lady of pop.

It makes for a restless evening. When the lady is not darting into the crowd to make eye contact, and body rub, special favourites, she is rushing into the wings to change into another flouncy outfit. Then there is the appearance on stage of the chosen few for some more precious moments before she hauls three of her dancers, supposedly enjoying a night off, into the spotlight to shake their thing for her.

Ms Ross operates from a stage in the heart of the Arena, so anyone in the stalls is a target for her infectious clubability. And how they love it: having their pictures taken with the diva. It is such spontaneous fun that you wonder how choreographed it all is. Most of those cuddled seem to be old friends, presumably Ross groupies. Access to the stage must also be pre-ordained. In theory this is one big, timeless, party; in practice the band knows when to turn the pages of their music.

Of course it is wonderful that this great Supreme, now 53, and over 30 years in the business, should be so touchable, but it plays havoc with her songs. She gets the best bits - a Supremes medley of pop classics like "Baby Love" and "Stop in the Name of Love" – over with indecent haste which leaves too much time for turgid recent songs of staggering banality. With the music on auto pilot, there is nothing left but the personality.

It is a pity that the love-in with the fans becomes so paramount. Occasionally Ross shows that she still possesses a mighty voice, in particular on that favourite ballad of the northern club scene, "When you tell me that I love you", but much too soon it is back to self-parody, with a doleful attempt at rap: a minefield for the over 30s.

The audience seemed to be word perfect and lapped up every moment: their most poignant memories were obviously shaped by Ross. She gives freely, but vicariously, with just brief moments of bliss, in particular a Billie Holiday medley, during which the band discovers a subtle jazz riff rather than the bass-driven barrage which accompanies most of the music. But soon it is back to licking the audience in a most fulsome manner.

INTERNATIONAL ARTS GUIDE

■ BAD KISSINGEN

CONCERTS

Kissinger Summer Festival
Tel: 49-971807110

● Roberto Abbado conducts the Munich Radio Orchestra in a programme of arias, with soprano Gabriela Benácková and tenor Alfredo Portilla; at the Regentenbau; Jul 9

● Burkhard Glaetzner conducts Handel's *Messiah*; at the Stadtpfarrkirche Münnerstadt; Jul 10

● Bamberger Symphoniker: conducted by Gerd Albrecht in a programme of works by Tchaikovsky, Beethoven and Elgar; at the Regentenbau; Jul 11

● Barcelona Symphony Orchestra: conducted by Lawrence Foster in works by Gerhard, Shostakovich, Elgar and Mendelssohn; at the Regentenbau; Jul 12

■ CHELTENHAM

CONCERTS

Cheltenham Festival
Tel: 44-1242-227979

● Sundsvall Chamber Orchestra: conducted by Niklas Willen in works by Rossini, Lindgren, M Hayden and Beethoven; at the Town Hall; Jul 10

● BBC Symphony Orchestra: conducted by Markus Stenz in *Brahms' Symphony No. 2 in D*, a new work by Hoyland and Mahler's *Songs of a Wayfarer*; at the Town Hall; Jul 11

● Orchestra and Choir of the Age of Enlightenment: in works by Bach and a specially-commissioned work by Betty Roe; directed by Paul Nicholson, with soprano Ruth Holton and bass Peter Harvey; at the Town Hall; Jul 12

● Hanover Band and Corydon Singers conducted by Matthew Best in works by Wagner, Pärt and Brahms; at Tewkesbury Abbey; Jul 14

OPERA

La Bohème: by Puccini, *performed by the European* Chamber Opera; at the Everyman Theatre; Jul 9, 12

■ DROTTNINGHOLM

OPERA

Drottningholms Slottsteater
Tel: 46-8-4570600

Euridice (1600): Swedish premiere of Jacopo Peri's opera. Produced by Karl Duner, designed by Peder Freij, with the Drottningholm Theatre Orchestra conducted by Jakob Lindberg; Jul 9, 11, 12

■ GRAZ

CONCERTS

Styriarte Festival
Tel: 43-316-825000

● Der Graf von Gleichen: its libretto banned by the censor, Schubert's last opera remained unfinished. By piecing together the fragments and filling in the gaps, contemporary Austrian *composer Richard Dünser has* created a finished piece, performed here by the Graz Philharmonic Orchestra conducted by Andreas Stoehr; at the Stefaniensaal; Jul 12

● Nikolaus Harnoncourt conducts the Chamber Orchestra of Europe in the complete Brahms symphonies, presented as a cycle for the first time, as the Beethoven and Schubert symphonies have been presented here in the past. Symphonies 1 and 2 are performed on 4th and 9th; 3 and 4 on 7th and 10th; at the Stefaniensaal

■ LONDON

CONCERTS

City of London Festival
Tel: 44-171-638-8891

● Chilingirian Quartet: with soprano Patricia Rozario in works by John Tavener and Arvo Pärt; at The Priory Church of St Bartholomew The Great, West Smithfield, EC1; Jul 9

● Monteverdi Vespers (1610): William Christie conducts Les Arts Florissants in the festival's closing concert; at St Paul's Cathedral, EC4; Jul 10

DANCE

London Coliseum
Tel: 44-171-632 8300

The Kirov Ballet: *Don Quixote* – a highlight of the month-long season; casts vary; Jul 9, 10

Royal Opera House
Tel: 44-171-304 4000

The Royal Ballet: mixed programme includes Twyla Tharp's *Push Comes to Shove, William Forsythe's Steptext, and Symphony in C*, choreographed by Balanchine to music by Bizet. The final performance will be the last ballet at Covent Garden before the theatre closes for renovation; Jul 9

OPERA

Royal Opera House
Tel: 44-171-304 4000

Simon Boccanegra (1857): British stage premiere of this, the original version of Verdi's opera. Mark Elder conducts, Ian Judge directs. Sergei Leiferkus, Plácido Domingo and Kallen Esperian star; Jul 10

■ NEW YORK

CONCERTS

Lincoln Center Festival 97
Tel: 1-212-875 5030

● New York Philharmonic at the Avery Fisher Hall. Conducted by Kurt Masur in the first of three programmes celebrating the music of jazz maestro Ornette Coleman, whose octet Prime Time joins the orchestra in a performance of *Skies of America*; Jul 9

● New York Philharmonic at the Avery Fisher Hall. Kurt Masur conducts a programme of works by Henze and Wagner. With soprano Deborah Voigt; Jul 12, 14

● Ornette Coleman with Charlies Haden and Billy Higgins plus guests; at the Avery Fisher Hall; Jul 10

● Ornette Coleman and Prime Time with dancers, rap and video artists in a special expanded version of *Tone Dialling*; at the Avery Fisher Hall; Jul 11

THEATRE

Lincoln Center Festival 97
Tel: 1-212-875 5030

● Les Danaïdes: US premiere of Silviu Purcarete's reconstruction of Aeschylus' 470 BC tetralogy. Performed in French with English supertitles; Damrosch Park, 62nd St near Amsterdam Ave; to Jul 20

● Woza Afrika: After Apartheid: *four different programmes of* South African township plays. Presented at the John Jay College Theater and LaGuardia Theater; to Jul 27

■ PARIS

DANCE

Opéra National de Paris, Palais Garnier Tel: 33-1-43439696

Sylvia: the Opera Ballet performs a new version, with fresh choreography by John Neumeier, to music by Delibes; Jul 9, 10, 11, 12, 14

OPERA

Opéra National de Paris, Opéra Bastille Tel: 33-1-44731300

Manon: by Massenet. Musical director Gary Bertini presides over a staging by Gilbert Deflo, with designs by William Orlandi; Jul 10, 12

■ SANTA FE

OPERA

Santa Fe Opera
Tel: 1-505-986 5900

● Cosi Fan Tutte: Kenneth Montgomery conducts Mozart's opera, sung in English, in a new production directed by Nicolette Molnar and designed by Bruno Schwengl; Jul 11

● La Traviata: Linda Brovsky directs this new production of Verdi's opera, set in the Parisian demimonde. The conductor tonight is John Crosby.

■ SCHLESWIG-HOLSTEIN

OPERA

Music Festival
Tel: 49-431-567080

Moses and Aron: by Schoenberg. Co-production between Oper Leipzig and the NationalTheater Weimar, in a staging by George Tabori. George Alexander Albrecht conducts; at the Staatsoper, Hamburg; Jul 9

■ TANGLEWOOD

CONCERTS

Tanglewood Festival
Tel: 1-617-931 2000

● Seiji Ozawa conducts the Boston Symphony Orchestra in a programme of works by Brahms, with violin soloist Maxim Vengerov; the Shed; Jul 11

● The Leonard Bernstein Memorial Concert: Robert Spano conducts the Tanglewood Music Center Orchestra in works by Bernstein, Mozart, Dvorák and Brahms, with violin soloist Isaac Stern; the Shed; Jul 13

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European Money Wheel

18.00
Financial Times Business Tonight

Ian Davidson

A protest too late

Reaction in the US against Nato expansion is unlikely to succeed because members are committed to enlargement

Not everyone agrees that expanding Nato, to bring in new members from eastern Europe, is a great idea. Nato is a military alliance designed to keep out the Russians. But the countries of eastern Europe do not need this defence since they face no present or probable threat from Russia.

Moreover, the west and Russia both claim to be co-operating for peace, most remarkably in the new Founding Act for mutual consultation. But the enlargement of Nato cannot fail to be seen as aimed at Russia because that is precisely why the east Europeans want to join; and in any case, it is unavoidably a shift in the strategic balance of power against Russia.

In the US, these arguments and others are being deployed in a rearguard action by a group of 50 former senators, ambassadors and cabinet secretaries, including such respected figures as Mr Paul Nitze and former senator Mr Sam Nunn. In an open letter to President Bill Clinton, they have denounced Nato enlargement as "a policy error of historic proportions", which, they believe, "will decrease allied security and unsettle European stability".

They claim that it will alienate Russia and undermine arms control, destabilise those eastern European countries which remain outside Nato, degrade Nato's defensive capability and call into question the US commitment to the alliance. "We strongly urge," they conclude, "that the Nato expansion process be suspended while alternative actions are pursued."

They recommend three alternatives: the enlargement of the European Union, enhanced co-operation with eastern Europe, and a co-operative relationship between Nato and Russia.

I agree with many of their objections, but it seems to me that they come too late to do any good. For better or for worse, Nato governments are committed to enlargement, and the only way the protesters can now win the argument is by defeating the enlargement treaty in the US Senate.

This does not seem impossible. Eight senators have written to Mr Clinton, warning that enlargement could unravel Nato and cause friction and instability in eastern Europe.

If the enlargement treaty were to be defeated in the Senate, it would bring about the worst of all possible worlds. For it would leave Nato in profound disarray, and might well be construed as a public disavowal of the US commitment to Nato defence in Europe.

Indeed, it might actually *be* a public disavowal on the part of the Republican party, since Senate ratification is likely to hinge on two contentious questions: the budgetary cost of enlargement, and the nature of the security guarantees the US would be extending to the new members.

On the first, the administration has tried to pretend that the cost will be small, and mainly paid by European countries; but this will appeal neither to eastern Europe (which is poor), nor to western Europe (which is desperately cutting budgets to qualify for European monetary union).

On the second, the administration will be asked whether the US would be committing itself to defend Warsaw or Budapest, if necessary, with nuclear weapons. If the answer is yes, the Senate may feel that this is a commitment too far; if the answer is no, the alliance will lose all credibility, not just for the new members, but also for the old.

The protesters come too late. The argument this week in Madrid has not been about the principle of enlargement, but about how many new members should be admitted. Mr Clinton insists that there should be no more than three: Poland, Hungary and the Czech Republic – but has allowed the communiqué to include complimentary references to Romania and Slovenia. But the strategic logic of this position is not clear, except as an attempt to get the best of both worlds: a gesture of openness and reassurance for eastern Europe, including for those kept out of the first wave, but small enough to reduce the provocation to Russia.

The one point on which the 50 US protesters are quite mistaken, it seems to me, is in their suggestion that the enlargement of the European Union is or should be an alternative to enlargement of Nato. No doubt EU membership would provide some kind of soft security for new members; but there is no practical possibility that enlargement of the EU could be quick or easy.

The assumption of Nato enlargement is that the candidates could achieve membership by 1999, the 50th anniversary of Nato. But EU enlargement will take several years longer than that because of the complexity of negotiating a rapprochement between the EU and the less advanced economies of eastern Europe. The earliest membership date for any country in eastern Europe is likely to be 2002-2003, and it could slip to 2005 or beyond.

Some people conclude that the US is being much more generous in giving security guarantees to eastern Europe than the EU is in giving access to western European markets. Yet joining Nato is easier than joining the European Union because Nato is based on co-operation between national forces and does not need to reform its policies before enlarging; whereas the EU operates by the integration of common policies. Since the countries of eastern Europe are much less advanced, the EU may have to change a number of its own policies and decision-making institutions first.

The irony is that Nato enlargement will be coming before the Senate next spring just when the US is in the throes of withdrawing its troops from Nato's most successful peace-keeping role in Bosnia. It might be hard for the administration to argue that the US should provide security for Poland, which is in no danger, but cease to provide it for Bosnia, which is still in great danger.

Warning to Clinton: enlargement will unravel Nato

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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UK needs nimble-footed fiscal and monetary moves to avert disaster

From Mr John Wells.

Sir, The UK economy appears to be in the throes of two shocks of major proportions: a domestic financial shock, unleashed by the demutualisation of the building societies feeding into already strong consumer optimism, which, through market expectations of higher interest rates, has engendered an exchange rate shock. Demutualisation is an aspect of financial market liberalisation and the exceptionally rapid transmission to the exchange rate is fuelled by the self-same processes of liberalisation and internationalisation – with markets being distinctly more forward-looking than policy-makers.

Ideally, the effects of demutualisation would be handled in ways that avoid the "crowding out" of exports and investment: for example, through higher consumer taxes, a windfall levy or inducements to save and not spend windfalls. Any unavoidable increase in domestic consumption would be satisfied from an increase in output and/or imports – but which left the competitiveness of exports unimpaired. Clearly, optimal policies are not being pursued.

The danger is that, next year, with exports heading down, higher interest rates will eventually choke the consumer boom and, as recession bites, the balance of payments overcomes the J-curve and sterling collapses – delivering a massive inflationary shock. The government will then be forced to declare *force majeure* on its inflation target and other recent institutional innovations.

As in the early 1980s, when sterling's acquisition of petro-currency status, due to the confluence of North Sea oil and monetarism, crowded out large swathes of British manufacturing, we are being told, by Mr Gavyn Davies among others, that "there is no alternative". However, it would be the height of folly to permit a domestic consumer boom to "crowd out" UK manufacturing exports and investment. Nevertheless, short-term fiscal and monetary activism of an exceptionally nimble-footed variety will be required to prevent a looming disaster.

John Wells,
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Perfectly rational cause for protest

From Mr Daniel Moylan.

Sir, Robert Chote ("The reality of money illusion", June 30) repeats the story of the English peasants who rioted in 1752 on the adoption of the Gregorian calendar, on the slogan, "Give us back our 11 days". Like most commentators, he uses this to illustrate how easily the simple-minded are duped by purely nominal changes.

But surely even the dimmest of English peasants was not as dim as all that. And their grievance was genuine. Those paying fixed rents quarterly, as all but freeholders and the landless were, suffered a one-off adjustment as the quarter ending September 25 1752 was artificially shortened by 11 days without any compensating adjustments in rent. Those in this position genuinely lost 11 days of rental costs, at least, if not of their lives. This seems a perfectly rational cause for protest.

That this argument was recognised by contemporaries is borne out by the change in the end-date of the tax year, which I believe took place at this time, from Lady Day (March 25) to April 5, 11 days later, an arrangement with us still. This compensated taxpayers, but there was no corresponding compensation for rent-payers, as evidenced by the fact that the English quarter days remain today as they were before 1752.

So perhaps the English rioters of 1752 were at least as rational as the New Jersey commuters who, Mr Chote tells us, had difficulty distinguishing real and nominal wage increases.

Daniel Moylan,
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GE's natural synergy

From Mr John D. Perry.

Sir, Your editorial "The GE model" (July 3) overlooks the shared learning experiences that might underpin GE Capital's success. GE Capital appears to take a broad industrial project view of financing rather than the more narrow "loan and collateral" view. Its analysts and officers have access to much internal proprietary information and appear to take a comprehensive competitive positioning approach to their financing decisions. This can result in the early identification of opportunities and risks and explain demonstrable quality in financial performance.

Mr Jack Welch's successors will probably recognise this operating synergy and not easily succumb to pressures "for a parting of the ways".

John D. Perry,
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US

Health deal has national emphasis

From Ms Nancy J. Davies.

Sir, Lex ("Management buy-outs", July 5) gave the misleading impression that CinVen's recent £1.1bn purchase of the healthcare interests of Générale des Eaux was a wholly "foreign" buy-out. I am sure CinVen can fight its own corners on the inherent cultural differences suggested by Lex, but let me do my bit in the interests of the British independent healthcare market.

By value, the largest element of the transaction was the £570m paid for General Healthcare Group, comprising 26 acute hospitals and 11 psychiatric units in the UK. It is the second-largest private hospital and healthcare provider after Bupa. GHG operates separately from the French side of the business (Compagnie Générale de Santé) and has its own management team.

This state of affairs will continue and it is CinVen's intention to merge the management team with that of Amicus Healthcare, also owned by CinVen.

As if to reinforce the distinction between the UK and France, Compagnie Générale des Eaux is retaining a 20 per cent stake in Compagnie Générale de Santé.

Perhaps CinVen is more cute than Lex suggests but I suspect in the circumstances that this was an "oil-wheeling" exercise.

Nancy Davies,
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Green Dot a force for packaging savings

From Mr P. Rob.

Sir, I refer to Ralph Atkins' article "Green dots create a stink" (July 7). In Germany, 76 per cent of the population favours recycling, according to the renowned opinion polling institute, Allensbach. This is reflected in the fact that in 1996 more than four out of five packages were forwarded for recycling. Since 1991, some 20m tonnes of packaging materials have been forwarded for recycling. In May 1997, 61 per cent of German citizens thought that the Green Dot was a good thing.

The Dual System (which organises recycling of Green Dot products) not only deals with secondary materials, but offers an incentive to optimise ecological packaging. The more material a filler saves, the less he pays for the Green Dot. Consequently, consumption of packaging in private households and small businesses dropped by 900,000 tonnes between 1991 and 1995.

In 1996, we managed fully to consolidate our finances and are now debt free. While the general cost of living, and the cost of waste disposal in particular, is rising by leaps and bounds, the Dual System has kept stable the price for the Green Dot for years. In the medium term, the costs for the Green Dot are falling.

P. Rob,
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Lesson for EU leaders to learn from Hong Kong

From Mr David Morgan.

Sir, Martin Wolf's analysis of Hong Kong's economic success ("Wealth without power" July 1), including the World Bank's new findings regarding the relative success of nations, was fascinating.

It is worth re-reading two of his main conclusions:

"Such small, open economies can avoid the costs of size. The larger the state the more heterogeneous it tends to be. The combination of size with heterogeneity creates big difficulties: the citizens are more likely to be unhappy over policies they are forced to share; organised interests are more likely to dominate politics; and the government is more likely to prove remote and unaccountable."

(Explanation is given for the US and Japanese exceptions to this "rule".)

"Hong Kong is a small place. But it provides big lessons. It is neither a country's size nor its power that matters or its people's prosperity. All that is needed are honest government, modest taxes and liberal trade. These are more than the basis for prosperity. They are also the best way to secure harmony, at least among civilised states."

The evidence that Mr Wolf, the World Bank and others have presented for these views is extremely persuasive. Mr Wolf resists drawing an (obvious?) parallel with the fact that very different views seem at present to steer the priorities of leaders in the European Union.

One sometimes wonders about the quality of the evidence on their side of the argument.

David Morgan,
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Switzerland

Outrageous bid costs

From Mr Martin E. Simons.

Sir, Many takeovers in the US and UK turn out failures. That is because, frequently, they are either conjured up by egotistical chief executives or by febrile fee-foraging investment bankers.

Those who go to law in the UK and fail have to pay their own costs and usually the adjudicated costs of successful defendants. Similar arrangements are called for in takeover battles. It is outrageous that hapless quarries, often of bigger predators, which successfully defend themselves, have to pay for their own defence costs.

This would raise the bid ante, and trim the number of contested bids. It would allow managements to run their business and compete effectively.

Martin E. Simons,
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London SW15 6HJ, UK

Resolving conversion exchange rates within Emu

From Mr Avinash Persaud.

Sir, I fear three inaccuracies crept in to Wolfgang Munchau's otherwise excellent article on the sticky problem of setting conversion exchange rates between participating countries in Emu ("Currency rates may have to be fixed early", July 1).

First, using the current central parities of Europe's exchange rate mechanism as the Emu conversion exchange rates would cause a minimum of disturbance to the currency markets. This is one of the main attractions of the idea. All European exchange rates are currently within 3 per cent of where they would be if it were announced today that the existing ERM central parities were the conversion rates. On the currency markets, at least, "convergence" is near complete.

Second, there is no "dilemma" in setting \$/Ecu equal to \$/euro on December 31 1998, in accordance with the Maastricht treaty, even though the Ecu is a basket made up of some countries that may not participate in Emu. Setting \$/Ecu equal to \$/euro on day one does not in any way alter the external value of any currency participating in Emu. It is an issue of denomination, not value. The confusion this rule has caused suggests we may have underestimated the benefits of simplifying Europe's exchange rates into one.

Third, announcing Emu conversion rates in May 1998 and then promising to defend them before there is a single monetary policy, and before central bank reserves are pooled, raises the risk, albeit small, of a successful speculative attack that would scupper Emu. Why take the risk? Europe's central bankers should announce the conversion rates early and state that, on the first day of Emu – not before – these rates will be defended limitlessly with pooled reserves.

This will act as a credible, calming guide to the markets before 1999 without carrying the risk of attack. This proposal was first published by J.P. Morgan in November 1996.

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Wednesday July 9 1997

Boeing vs Brussels

High noon is approaching in the transatlantic skirmishing over the proposed merger of Boeing and McDonnell Douglas. The European Commission is due to decide by July 23 whether to block the deal on competition grounds. The noises from Brussels so far suggest it is minded to do so. That would conflict with the position taken by the Federal Trade Commission, the US anti-trust watchdog, which recently cleared the merger. The result could be a bruising political confrontation – possibly even a trade war – with Washington.

A clash may yet be avoided if Brussels can prevail on the US aerospace companies to meet its objections by modifying the deal. The bellicose rhetoric uttered by Mr Karel Van Miert, the EU competition commissioner, may be intended to pressure them to do so. But it is a high-risk tactic. Even if it succeeded, it could encourage uneasy suspicions that the decisive factor in the companies' calculations was fear of crude political reprisals, rather than the rule of EU law.

The root of the problem is that the commission is seeking to extend its jurisdiction beyond the EU, without obvious legal tools to enforce its writ. Many of its objections to the deal relate to the US market. But its direct leverage over Boeing and McDonnell is limited, because they have few assets in the EU. Brussels has therefore fallen back on dark threats to subject the companies to commercial restrictions and draconian fines – which could be hard to collect – if the merger goes ahead without its approval.

The central question is not whether the commission is entitled to examine the competition aspects of the deal, or to differ from the conclusions reached by US authorities. The fact the FTC's members split 4-1 over their verdict, with one of them vigorously dissenting, suggests there is scope for honest disagreement as to whether the merged group would exercise unhealthy dominance over the world civil aircraft market.

The issue, rather, is whether unilateral efforts to lay down the law through merger policy are the best way to meet Brussels' doubts. There are arguably more effective – and politically certainly less contentious – alternatives.

Mr Van Miert's concern that the merged group's civil aircraft operations could profit unfairly from defence spending would be better met by improving the working of the 1992 US-EU agreement designed to limit aircraft subsidies. The two sides are due to hold talks on the accord this week. The main aim should be to increase financial transparency – in the European Airbus consortium as much as in Boeing and McDonnell.

Mr Van Miert's other main complaint is that Boeing's sole-supplier arrangements with US airlines discriminate against Airbus. The FTC is also worried by these arrangements, but has not challenged them. Brussels should invoke its right, under its anti-trust co-operation agreement with the US, to ask Washington to investigate them.

In judging the Boeing deal, the commission needs to be clear about its priorities and pragmatic in achieving them. Stubbornly to stand on principle, when none of value is obviously at stake, would be political folly.

Interest rates

Mr Eddie George, the governor of the Bank of England, has long wished for independence. Now he has it, but at the worst possible time. He must have the courage to use it.

The target rate of retail price inflation, less mortgage interest payments, is 2.5 per cent. Yet over the past 12 months, it has been 2.7 per cent. Over the last quarter, the annualised rate has been 4.7 per cent. This has occurred despite an appreciation since last August of more than 23 per cent in the trade-weighted exchange rate. This powerful disinflationary shock should have delivered a rate of inflation below the target if monetary policy had been tight enough two years ago.

Yet, even after two quarter-point increases since the election, the base rate of interest is only 6.5 per cent – a quarter-point lower than two years ago. The three-month interest rate is also no higher than that on 10-year gilts, which indicates that monetary policy is little more than mildly restrictive.

Meanwhile, consumer demand is accelerating. In the tank are monetary growth running at 11 per cent a year, house prices up 11 per cent over the last year and windfalls from building societies and insurance companies of some £37bn – or 6½ per cent of disposable income. The Treasury forecasts growth of consumers' expenditure at 4¼ per cent this year and 4 per cent in 1998. It could well be higher.

In the short term, torrid growth in consumers' expenditure should be offset by a sharp deterioration in the external balance and a forecast reduction in real government consumption. But monetary policy needs to lower the growth of consumer spending to less than 3 per cent a year two years hence, particularly since the economy is probably at full capacity.

Significantly higher interest rates will be required. It is likely to prove more effective to shock consumers with at least a half a percentage point increase now than squeeze them with a long series of quarter-point increases. A full percentage point jump might be better. Determined action should also shorten the agony for exporters, by bringing forward the time when interest rates can be reduced again.

The Bank can always blame the pain on Mr Kenneth Clarke's refusal to raise rates sooner and Mr Gordon Brown's unwillingness to tighten fiscal policy more. What it must not do is twiddle its thumbs.

Aid for Kenya

Kenya, for years the favourite model for western donors in Africa, is in a sorry state. At least 9 people have died this week in demonstrations for greater democracy. Last week the IMF warned that it would suspend its vital loan agreement with the government if no action is taken to clear up a serious financial scandal. That threat was long overdue.

The west has got tough with President Daniel arap Moi before. Five years ago, leading donors suspended aid, and made its resumption conditional on the introduction of multi-party politics. Within a month the ban on opposition parties was lifted. A year later, the first contested election for nearly two decades had been held.

And yet the president and his ruling Kenya African National Union, returned to office thanks to a divided opposition, do not appear to have learned their lesson. They have introduced the trappings of democracy, without the substance.

The justice system is not independent. The security forces frequently operate like a private militia defending the interests of the ruling party. Much of the media is under state control. And political activity is restricted by a range of laws dating back to the British colonial era, limiting rights of assembly and free association.

On the positive side, Kenya's once-thriving market economy, which had become hamstrung by state control and bureaucracy, is well down the path of liberalisation. But the wide-ranging programme of economic reform, backed by the World Bank and the IMF, is being undermined by corruption.

Had the donors been more vigilant, and responded promptly to clear evidence of abuses, such as the long-unresolved financial scandal which has alarmed the IMF, the momentum for change need not have been lost. Britain and the Commonwealth, which closely monitored the last elections, failed to maintain their pressure for transparent government and genuine democracy.

Western aid and the IMF seal of approval matter to Kenya. Above all, they underpin the confidence of foreign investors, who ultimately provide the key to sustained growth and prosperity. Mr Moi must be left in no doubt that if he continues to resist reasonable demands for democratic reform in advance of the next elections, and fails to clean up corruption in his government, that aid will be forfeit.

In the eye of the storm

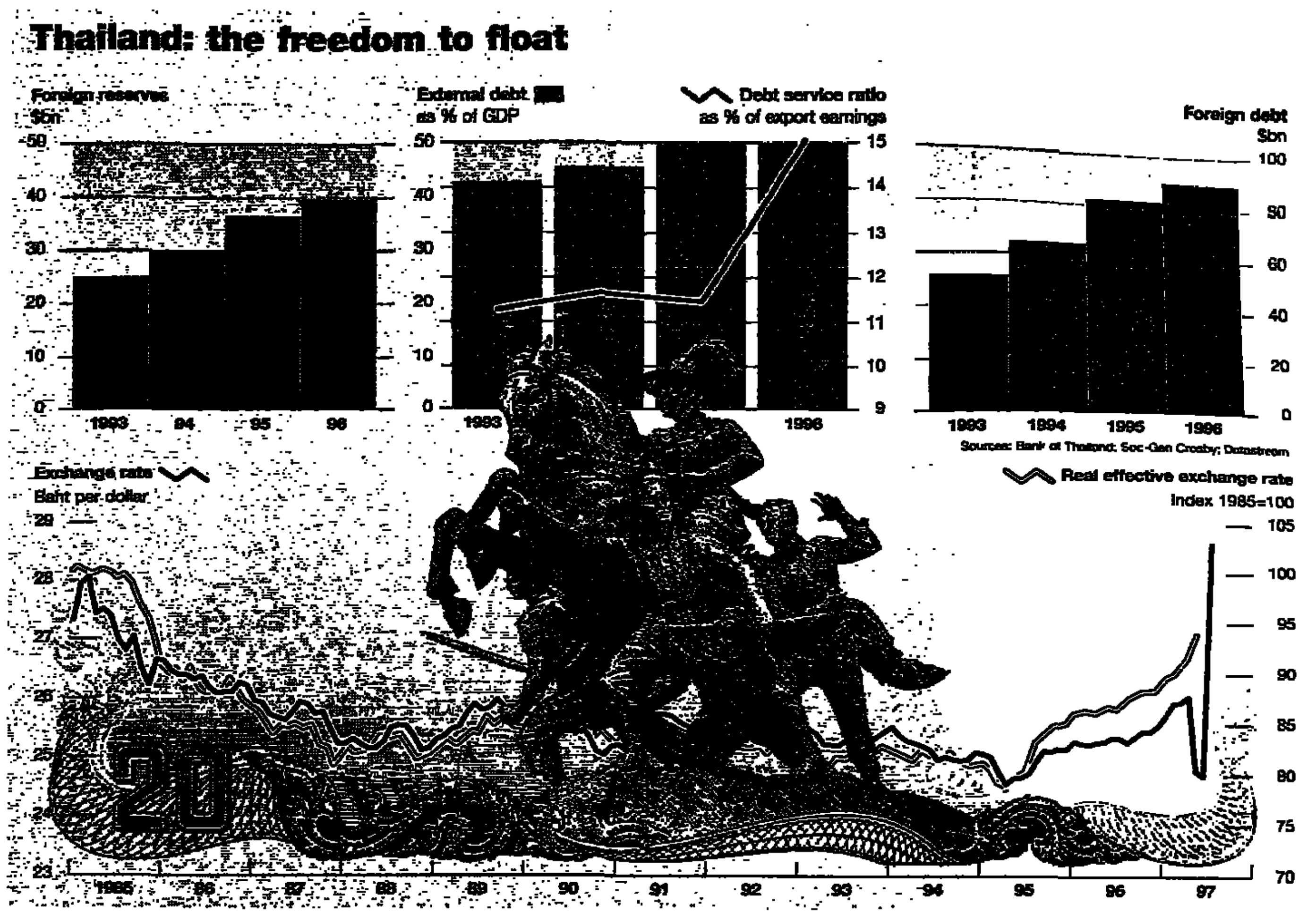
Calm has returned to Thai markets after the devaluation of the baht but many wonder how long it will last, writes **Ted Bardacke**

One week after Thailand's government took the shock decision to float the baht, sending the currency spiralling downwards 15 per cent, calm has returned to Bangkok's financial district.

Although the stock market has receded somewhat in the past few days, it is nearly 20 per cent up since the devaluation. The lines of panicked people at the gold shops that sprang up hours after the float was announced have subsided as Thais have regained faith in the baht.

This is a strikingly different picture from the one that followed the 1994 Mexican devaluation, the developing world's last big currency crisis. Then, the Mexican government tried to engineer a 15 per cent devaluation in secret, pushing the peso into a six-week freefall. Ministers resigned, capital flight escalated and a tag-team of the International Monetary Fund and the US government had to bully the world's financial community into backing a $50bn bailout.

The Thai government took the decision to free the baht from its 13-year virtual peg with the US dollar after a dramatic economic slowdown had brought on a bad debt crisis and prompted a series of speculative attacks against the currency. This was forcing interest rates dangerously high and costing the central bank billions of dollars in foreign reserves.



"We are confident that what we have done is right. This is the turning point," says Mr Thanong Bidaya, Thailand's new finance minister. He dismisses speculation by the financial community that the country will have difficulty repaying its substantial foreign debts and attracting fresh foreign capital. "Within three months, liquidity will be back and the financial system will be taken care of," he says. "Thailand will survive."

Thailand's economic fundamentals are certainly sounder than those that forced Mexico to devalue: the economy is still growing at more than 5 per cent annually, it has a healthy level of foreign reserves, booming foreign direct investment and several years of accumulated budget surpluses.

But these differences may not be enough to stave off the country's first recession in more than 30 years, a shock indeed for an economy that had average annual growth of more than 10 per cent in the decade to 1996.

Thailand's debt profile is also different from that of Mexico in the aftermath of its devaluation. Mexico had about $6bn in foreign reserves and three times that much in dollar-denominated government bonds coming due within six months. When week after week those government bonds were not rolled over, a balance of payments crisis loomed large.

Thailand has more foreign debt coming due in the next 13 months – estimates range between $40bn and $66bn – than it has reserves. But about 80 per cent of this debt is held by private companies which owe the bulk to foreign banks, rather than to a disparate group of bondholders. This should make it easier to negotiate roll-overs and extended payment plans and hence lessen the pressure on the central bank's external balance sheet.

Foreign bankers estimate that about half of the private-sector foreign debt has been lent by Japanese banks to Japanese-related joint ventures and thus disguises direct foreign investment. The expectation is that these loans will be continuously rolled over.

Yet some economists are not ready to dismiss the possibility of a balance of payments crisis. Thailand could still require a Mexico-style bailout, they say.

Most immediately, the comfort provided by the fact that Japanese loans are expected to be rolled over may be fleeting. "Japanese businesses in Thailand are in a bad situation now," says a senior Japanese banker in Thailand. "The biggest question is whether we should terminate their offshore loans and force them to get baht loans onshore."

He adds: "Some people want to roll-over but we won't let them do that if they don't hedge. But hedging is too expensive right now. We just can't find any good solution."

Much will depend on how ruthless Japanese banks are in calling in loans. Significantly, Mr Thanong will make his first overseas trip as finance minister next week to Tokyo to meet private bankers and Japanese finance officials.

Another risk to Thai stability is that foreign reserves may not be all they are cracked up to be. UBS Securities estimates that the Bank of Thailand has already spent an additional $12bn in currency intervention through forward sales. Combined with an estimate that $20bn in short-term debt will be repaid in the next year, the Bank of Thailand will run out of foreign exchange by June 1998, UBS says.

Both UBS and Standard & Poor's, the ratings agency, expect the central bank to pay out an additional $10bn to clean up the ailing financial system. Many analysts are worried that the bill could go higher if moves by the government to close down a number of finance companies – most of which have huge bad debt problems and are facing a liquidity crisis – are not tough enough. Already there are moves afoot to go easy on the politically well-connected financial institutions.

"The authorities are getting complacent again," says Mr Nikhil Srinivasan, vice-president at Morgan Stanley in Bangkok. "Equity inflows lasted only three days [after the float] but they need to be sustained. The first and the hardest step has been taken, but it's not the only one needed."

Currency management is also going to be difficult. Massive foreign inflows, which could lead to a decline in interest rates, are unlikely to be attracted to Thailand unless the currency falls into the low 30 range, foreign investors say. But the central bank has said it wants the currency no lower than Bt28.5 to the dollar and may keep interest rates high enough to achieve its target. This would hurt the economy further and aggravate the already bad debt situation.

Thailand is reluctant to seek cash from the IMF, fearing this would be seen as an admission of failure. It may instead try to raise up to $20bn from friendly governments. If private flows are not forthcoming, an external bailout could become necessary.

"They have seriously upped the risk premium [by allowing a free float] so the currency will tend to fall," says the treasury manager at a foreign bank. "But the longer interest rates stay up the more horrid the economy is going to look."

Risk of regional contagion

No sooner had Thailand floated its currency than the markets began looking for their next victim. The Philippines has had to jack up its interest rates again this week as pressure mounted on its peso. Both it and Malaysia have had to intervene heavily to support their currencies.

The moves raise the spectre of a contagious loss of confidence leading to devaluations across Asia as governments try to maintain their competitiveness.

The cost in terms of higher interest rates could also be high. Mr Song Seng Wun, of ABN Amro Hoare Govett in Singapore, says he is shaving about 1 percentage point off a regional growth rate previously expected to average 7 per cent this year.

Bears of Asian currencies can make a good case for going on the attack. Recovery from last year's export slowdown has been faltering as weak US demand depresses prices of electronic goods. Many south-east Asian countries face a glut of unsold property that has strained their banking systems.

These blows to confidence have made it harder for Asian governments to move from traditional labour-intensive export activities into modern high-technology manufacturing. Pessimists such as Mr Michael Taylor, of W.I. Carr in Hong Kong, argue that the low-cost capacity coming on stream in China is exacerbating this problem.

Depreciation is a natural temptation in such a squeeze. Thailand may be the most spectacular example but it is not the only Asian country to have allowed its currency to fall. South Korea has been holding the won down against the dollar. Taiwan has also been seeking to boost its competitiveness by allowing its dollar to trade at an eight-year low against the US currency.

Mr Chris Tinker, of Standard Chartered Bank in London, believes most of the region's central banks will resist currency pressures unless the baht falls much further. But were it to sink to 30 to the US dollar from about 28 at present, other countries might feel compelled to follow suit. They have to preserve their competitiveness, particularly their ability to attract foreign investment, he says.

One lesson may be that Asian governments were wrong to align their currencies so closely to the US dollar. Those with more flexible policies – like Indonesia, which has widened its intervention bands considerably over the past year – have been under less pressure.

The outcome is likely to be more flexible exchange rates. There is no fundamental need for these currencies to fall and the pressure reflects cyclical factors, says Mr Ma Guonan, of Bankers Trust in Hong Kong.

The structural weaknesses exposed by 18 months of disappointing economic performance require a different type of treatment, including upgraded skills, improved banking supervision, better quality of government and more deregulation, he says. Currency manipulation is not the best way to restructure an economy. It may be the worst choice.

Peter Montagnon

· OBSERVER ·

Waiting for Goddu

■ So the company that invented the mail order catalogue and Rudolf the Red-Nosed Reindeer has gone into intensive care. Montgomery Ward, the 125-year-old Chicago-based retailer which filed for bankruptcy protection yesterday, was once one of America's big three retailers along with Sears and J.C. Penney, *but has been in the doldrums for some time.*

Mobil (yes, really) bought it in the 1970s, but got tired of throwing money away and sold it to its management and GE Capital in a highly leveraged 1988 deal for $3.8bn. It hasn't had much fun since then. In recent years, top managers came and went at bewildering speed, amid mutterings about excessive interference by chairman Bernard Brennan: one president left, was lured back, then left again. At the end of last year, GE Capital showed Brennan the door, and brought in Roger Goddu from Toys R Us to transform the tottering chain.

The company was founded by Aaron Montgomery Ward, who was peddling what were oddly called dry goods in the American West in the 1860s when he worked out how to undercut prairie town stores, launching into mail order a decade before Sears Roebuck.

So is Chapter 11 the end of the road or a new beginning? Some analysts think the chain's best chance is to sell the profitable direct mail subsidiary, the descendant of the single-sheet catalogue listing 163 items of clothing Aaron sent out to the Midwest farms in 1872. Rudolf – penned by advertising copywriter Robert May in 1939 for in-store Santa Clauses to hand out to pesky children – is, sadly for Montgomery Ward, not a saleable asset.

TV match

■ The late Adi Dassler, the German sports shoe-maker, was the king of sponsorship. Deals with the International Olympic Committee and international football bodies helped turn Adidas into a global brand and developed an industry which has shovelled cash into sporting events. So it was hardly surprising when Adi's heirs, through their Swiss-based holding company Sporis and its subsidiary ISL, won last year's battle for the television rights to the World Cup football competitions in 2002 and 2006.

The $2.8bn deal – a joint effort with German television mogul Leo Kirch – saw off the European Broadcasting Union and Mark McCormack's IMG. But now Kirch wants to field another player – he's trying to do a deal that would involve Prisma, a Swiss-based rival to ISL set up by former ISL managers, taking over some of the action. So will ISL see off the upstarts, or will the boot be on the other foot?

Smart weapon

■ The top brass of Britain's Royal Air Force were briefing in formation yesterday about the *merits of their most* expensive bit of kit yet – the new UK-German-Spanish-Italian Eurofighter. The manoeuvre was their contribution to keeping the project on course. The RAF's top test pilot was wheeled out to sing the plane's praises. "The aircraft kept going where it was pointed," he told journalists, who didn't seem specially impressed. Anything else? "You can see out of the cockpit," he glowed. Not bad for £15bn.

Tricky text

■ The European Commission has booby-trapped the drafts of its Agenda 2000 proposals for EU enlargement. The 1,200 pages of documents covering who should be allowed to start talks on joining the EU, plus agricultural and budgetary reforms, will be presented to the European Parliament next week, and Eurocrats don't want the newspapers to publish first.

So errors have apparently been inserted into the various drafts so that there'll be a trail of clues to help the Commission identify the miscreant if there's a leak. Observer trusts that someone, somewhere has a copy of the mistake-free version.

Food for thought

■ Gérard Pfauwadel, chairman of French derivatives exchange Matif, chose appropriate imagery yesterday at the Paris Europlace conference in punting the gastronomes' paradise as Europe's dominant financial centre after monetary union. Comparing Emu to Christmas – which presumably means he's confident of the timing – he cast other European markets as "the turkeys" and Paris as "the chef". He forebore to mention the veritable banquet of extra business that would be set before the Matif amid the uncertainty that would be generated if Emu was called off.

But Pfauwadel may have been pushing culinary images too far when he compared new product launches by other exchanges to "having a pocket full of spaghetti. You throw a handful at other people and hope some of it will stick". What will they think of that in Milan?

The Financial Times

100 years ago

An Extraordinary Telegram
An extraordinary telegram is that published in the Paris edition of "The Herald", and emanating from New York. It announces that President McKinley is very dissatisfied with the general situation in the United States, and it is possible he will shortly tender his resignation. That announcement strikes one as a somewhat "tall order". It is more than probable, indeed, that the President does not find himself exactly on a bed of roses. But an American President can usually stand a good deal of that sort of thing, and we believe that Mr McKinley will worry along for some time yet. *[William McKinley, the 25th president of the US, was assassinated in 1901.]*

50 years ago

"What's Henry Doing?"
Advertisement: "He's making history! As recently as five years ago only a handful of people seriously thought that British films could recover and develop, so soon, into a national export of many times its pre-war value. Yet when the Two Cities film Henry V came to Broadway, New Yorkers stood in queues to see this great British picture. By the end of 1946 Henry V had already remitted to Britain more than $400,000."

FINANCIAL TIMES
Wednesday July 9 1997

China accused of bid to influence US polls

By Gerard Baker in Washington

The US Congress has firm evidence that the Chinese government sought to channel money illegally into the United States to influence elections, a leading senator said yesterday.

Opening a long-awaited investigation into alleged campaign finance abuses by the two main political parties, Mr Fred Thompson, chairman of the Senate Governmental Affairs Committee, said the activities of the Chinese government involved the systematic and secret direction of funds for political objectives.

"The committee believes high-level Chinese government officials crafted a plan to increase China's influence over the US political process," Mr Thompson said. "Our investigation suggests the plan continues today."

Mr Thompson's surprise announcement was the most serious allegation yet by a member of Congress that Beijing had covertly tried to influence US foreign policy. Mr Thompson said the Chinese plan was part of a strategy to counter pro-Taiwan sentiment in Washington after the visit to the US of Taiwanese president, Mr Lee Tung-hui, in 1995.

While parts of the strategy were properly legal and "appropriate" – the hiring of well-paid Washington lobbyists and increased diplomatic activity – it also involved covert, illegal attempts to buy influence, Mr Thompson said.

In March, several – mainly Democrat – members of Congress revealed they had been warned last year by law enforcement officials that China might attempt to direct money into their campaigns illegally. But there has been little evidence so far and China has repeatedly dismissed them.

Mr Thompson said that some of the committee's hearings, expected to continue through the summer, would have to be taken in closed session.

Mr John Glenn, the leading Democrat on the committee, warned against jumping to conclusions. "Is there any real evidence that the Chinese government or any other foreign government, actually infiltrated the American government via campaign contributions?" he asked.

The principal task of the inquiry, which will begin hearing witnesses today, is to find out whether frenetic fundraising efforts by both Democrats and Republicans for last year's presidential election campaign involved illegal or improper measures.

Although Mr Thompson said the main focus of the alleged Chinese activity were members of Congress, it was clear from his remarks that the Republican-dominated committee will try to prove a connection between China and President Bill Clinton's re-election campaign.

Nato set for expansion

Continued from Page 1

Moscow is sensitive about the possibility that future Nato expansion might embrace former Soviet republics.

Mr Tony Blair, UK prime minister, called the compromise "a realistic, sensible agreement".

Apart from enlargement, the summit failed to revamp the alliance's military command, bringing in France and Spain. Nato leaders set the goal of agreeing a new command structure by December.

In a strong statement on Bosnia, Nato leaders expressed "deep concern" about the power struggle among the Bosnian Serbs, whose former leader, Mr Radovan Karadzic, is attempting a comeback. They called for indicted war criminals such as Mr Karadzic to be handed over for trial in the Hague. At the same time, it urged the Bosnian Moslem government not to take up arms again.

ING deal

Continued from Page 1

has plenty of money," he said. "But the game has not really started yet".

The EOI deal should take effect in the fourth quarter, pending shareholder and regulatory approval. Mr Jacobs said the EOI management would stay in place, there would be no sizeable job cuts, and EOI should make a small contribution to ING's earnings from the first year.

Investors cheered the deal in Amsterdam, lifting ING shares to Fl 101.90, up 6.6 per cent.

Thailand to seek up to $20bn to bolster finances

By Ted Bardacke in Bangkok

The Thai government is trying to put together a package of loans and other credits from foreign governments worth between $10bn and $20bn to boost the country's level of foreign reserves and help clean up the ailing financial sector.

If the plan, disclosed by government officials yesterday, were realised in full, it would be the largest financial rescue package since 1995, when the US and the International Monetary Fund arranged a $50bn financing plan for Mexico after the peso devaluation.

Last week, Thailand triggered a de facto 15 per cent devaluation of the baht by floating its currency.

Mr Thanong Bidaya, the finance minister, said one foreign entity had already offered $5bn of support. An official in the prime minister's office said the same body was being asked to take an additional $5bn in bonds, to be issued in two tranches and backed by some of Thailand's profitable state enterprises.

Both Mr Thanong and the official said the funds would be used to help the consolidation of the financial sector. The central bank has agreed to help ailing companies write off bad debts if they agree to merge with healthy institutions or be taken over by foreign companies.

The official said the money would not be used to finance the country's looming budget deficit or other current government expenditure. The money-raising exercise is likely to require cabinet approval as it would more than double public debt to $36.8bn.

Thailand is likely to need the backing of the IMF if it is to raise the full $20bn.

Analysts say that after last week's de facto devaluation of the Thai baht, which yesterday slipped to Bt29.10 to the US dollar from Bt28.93 on Monday, Thailand needs to replace some short-term private debt with long-term government debt, so that other capital inflows can be used to increase domestic liquidity and provide scope for cutting interest rates.

Thailand has at least $40bn and as much as $68bn in private debt falling due in the next 13 months, but only $33.3bn in foreign reserves. Some of those reserves are already committed in forward contracts that fall due in mid-August. Keeping a healthy reserve position is crucial for the restoration of confidence in the aftermath of the devaluation, bankers say.

One banker suggested Japanese banks may play a part in helping Thailand raise the money, as they are the largest direct foreign lenders to Thailand and have most to lose if the after-shocks of devaluation are not contained.

Mr Thanong is due to travel to Tokyo next week for talks with private bankers and Japanese officials.

Eye of the storm, Page 11
World stocks, Page 30

Swiss find a further SFr17m in dormant accounts

By Norma Cohen in London

Owners of a further SFr17m ($11.7m) in long dormant bank accounts have been identified, Mr Hanspeter Häni, Switzerland's Banking Ombudsman, said yesterday. Of this, SFr10m belonged to nine Jewish Holocaust victims.

The discoveries dwarf the sums reported eight months ago by Mr Häni,
and were seized upon by Jewish groups as evidence that their campaign to force Swiss banks to open their records to an independent inquiry have been justified.

Last November, Mr Häni said searches to date had uncovered valid claims for just SFr1.6m of which only SFr11,000 was attributable to Holocaust survivors or their heirs.

"The sum of money belonging to Holocaust victims in Swiss bank accounts has just risen by 1,000 per cent," said Mr Kalman Sultanik, vice-president of the World Jewish Congress. "It must be said that without the unremitting pressure of international outrage, we wouldn't have got that far."

The ombudsman rejected criticism that it had moved too slowly. "This has been a pioneer effort with no model in the entire world for a similar undertaking," said Mr Leon Schlumpf, in charge of the foundation that runs Mr Häni's office.

Swiss banks have responded to the pressure, agreeing to open their records to a commission headed by Mr Paul Volcker, former US Federal Reserve chairman. They will also contribute the bulk of the capital to a SFr170m fund for aiding Holocaust survivors.

On Monday, the fund said it would make its first payment of SFr17m to help victims, primarily in eastern Europe.

Yesterday, the Swiss Banking Association said it was not clear whether the new sums were part of the previously disclosed assets or were newly uncovered sums found in recent months.

Jewish groups have said that up to $7bn in assets belonging to Holocaust victims may be in Switzerland, of which only a portion is in dormant accounts.

Dormant accounts are defined as those belonging to individuals who have not contacted the bank for at least 10 years.

The SBA has said it believed no more than SFr40m in dormant accounts – including those of non-Jews – remained on deposit in member banks.

The banks have also agreed to publish a list of names of pre-1945 dormant accounts on July 23.

THE LEX COLUMN

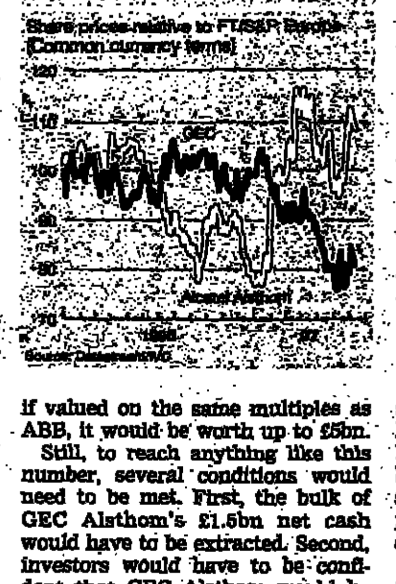
Weinstock's web

Mr George Simpson must wish he were Houdini. Ten months after taking over as General Electric Company's managing director, he is as boxed in as ever. He may want to break free from the joint ventures in which Lord Weinstock, his predecessor, bound the company. But doing so will be hard.

There could be movement at GEC Alsthom, which GEC wants to demerge (see below). But the prospects for value-creating action elsewhere look depressingly thin. In theory, it ought to be easy to sell GPT, the telecoms business, to Siemens, its partner. Value would be added by eliminating duplication with the German group's other telecoms businesses. Unfortunately, Siemens does not seem willing to pay a price that allows much value to accrue to GEC shareholders. What is left is a strategy of trying to eliminate the duplication – and hence capture the value – without selling out. Whether Siemens will be willing to "reposition" GPT in this way remains to be seen; it could just maintain the status quo in the belief that GEC will eventually come back to the negotiating table and sell at a lower price. After all, it holds most of the cards.

The options in defence are again unexciting. Mr Simpson's aim of beefing up the defence business sounds fine on paper, but delivering more than a few middling-sized deals will not be easy. The most logical combination, with France's Thomson-CSF, has been blocked several times because of Gallic sensitivities. Buying a big US business would be tricky too, because of the Pentagon's reluctance to allow foreign companies into secret, so-called "black" technology programmes.

Finally, shareholders cannot even look forward to an early distribution of GEC's cash mountain, as Mr Simpson wants to maintain it in case he can do deals. It is hardly surprising the share price is suffering from malaise.



GEC Alsthom

GEC Alsthom is not exactly a hidden jewel. But demerging the power and transportation group might still create value for both GEC and Alcatel Alsthom. As a stand-alone entity, GEC Alsthom would find it easier to engage in the global restructuring of its industry; it could even be acquired. Most estimates put GEC Alsthom's enterprise value at £3.5bn ($5.91bn). But if valued on the same multiples as ABB, it would be worth up to £5bn.

Still, to reach anything like this number, several conditions would need to be met. First, the bulk of GEC Alsthom's £1.5bn net cash would have to be extracted. Second, investors would have to be confident that GEC Alsthom would be run to maximise shareholder value – more on Anglo-Saxon than Gallic lines. The spectre of Arjo Wiggins Appleton, an Anglo-French company which has destroyed wealth, will haunt many investors. Finally, GEC Alsthom would have to be completely demerged, otherwise it would be takeover proof. Alcatel has yet to indicate whether it likes such a plan; but given its vigorous focus on improving shareholder returns, it could just agree.

Mexico

Mexico is undergoing a peaceful revolution. This week's election signals the end of what has been, in practice, a one-party state: for the first time in 70 years, the ruling Institutional Revolutionary Party (PRI) has lost its absolute majority in Congress. The prospect that the country's economic liberalisation will be underpinned by greater democracy is highly encouraging.

Stripped of some of its political risk, Mexico has much to commend it. The economy has pulled out of the slump since the peso crisis of late 1994 and should grow by almost 5 per cent this year. Falling inflation has enabled dramatic cuts in interest rates from nearly 100 per cent three years ago to about 20 per cent now. And while manufacturers and exporters have led the revival so far, consumer spending is finally recovering. Domestic consumption is expected to increase by more than 3 per cent this year and nearly 6 per cent in 1998.

Some of this is already reflected in the stock market, which is weighted towards consumer goods and has risen 40 per cent in dollar terms this year. But this is only level-pegging with Chile and way behind Brazil. Meanwhile, corporate profits should grow by 25 per cent, excluding inflationary gains. And on a forward multiple of nine times cash-flow (earnings with depreciation added back) Mexico is still one of the cheapest of the Latin American pumas.

Burton

As a tonic for underperforming shares, a bit of corporate activity is hard to beat. That may explain why Burton, whose shares have lagged behind even a rain-drenched retail sector, has dusted off its demerger plans for Debenhams, first considered three years ago.

That is not to deny the logic of the move. Splitting the Debenhams department stores from Burton's other high street chains (the multiples) will produce two groups with a simpler structure and more focused management. And a demerger should generate some modest uplift in value beyond yesterday's 9 per cent jump in Burton's shares. Debenhams, with decent margins and in-built growth from store openings, should be worth £1.4bn-£1.5bn. The multiples, with low returns, little in the way of sales growth, but decent brands, probably deserve a slightly better rating than Storehouse, giving them a price tag of £400m-£600m. Together, that suggests a market capitalisation of around £2bn against Burton's current £1.83bn – but it hardly amounts to unlocking substantial value.

Perhaps that value lies hidden in the rump. The real point of the demerger may be to set Debenhams aside, allowing an all-out attack on the multiples, whose performance has remained poor. If Mr John Hoerner, Burton's proven chief executive, really started tearing into their cost base, he might double margins to 10 per cent – implying cost savings of £50m or so. The rump might then start to attract a valuation rather closer to its £1bn turnover.

Additional Lex comment on Hyder, Page 16

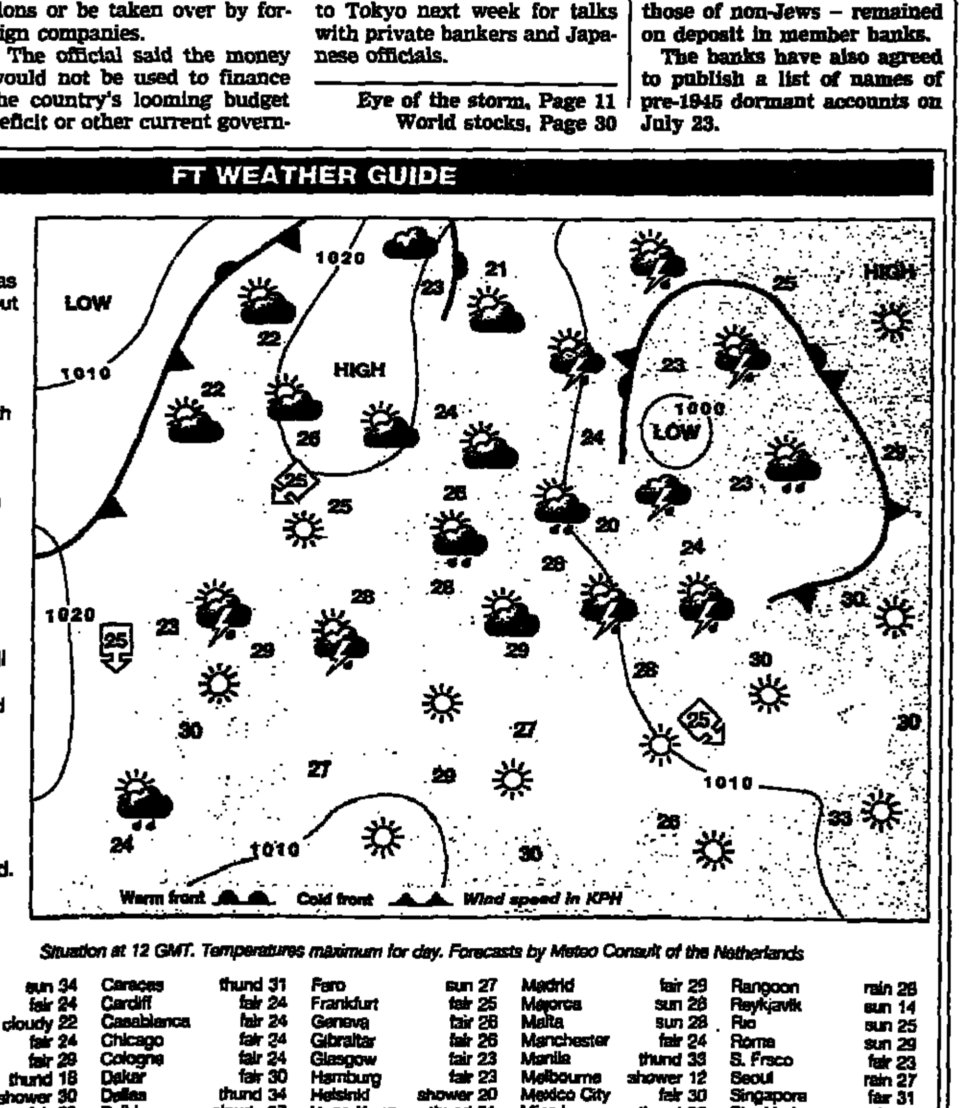
FT WEATHER GUIDE

Europe today

Eastern Europe will become drier as low pressure moves into Russia, but most regions will still see some thunder showers with heavy local rain.
High pressure over the North Sea will bring mainly dry conditions with sunny periods to western Europe and southern Scandinavia.
Northern Spain and Portugal may have scattered thunder showers in the afternoon and evening. It will stay sunny and warm, particularly across the Mediterranean.

Five-day forecast

Central and eastern Europe will still have some thunder showers, especially during the afternoon and evening.
Southern France will become unsettled with frequent thunder showers.
The UK and the Benelux will have some thunder showers on Friday, which will last through the weekend.
The Mediterranean will remain mostly sunny and warm.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	sun 34	Caracas	thund 31	Faro	sun 27	Madrid	fair 29	Rangoon	rain 28
	Celsius	Belfast	fair 24	Cardiff	fair 24	Frankfurt	fair 25	Majorca	sun 28	Reykjavik	sun 14
Abu Dhabi	sun 39	Belgrade	cloudy 22	Casablanca	fair 24	Geneva	fair 28	Malta	sun 28	Rio	sun 25
Accra	cloudy 27	Berlin	fair 24	Chicago	fair 24	Gibraltar	fair 26	Manchester	fair 24	Rome	sun 29
Algiers	sun 28	Bermuda	fair 29	Cologne	fair 24	Glasgow	fair 23	Manila	thund 33	S. Frsco	fair 23
Amsterdam	fair 24	Bogota	thund 18	Dakar	fair 30	Hamburg	fair 23	Melbourne	shower 12	Seoul	rain 27
Athens	sun 30	Bombay	shower 30	Dallas	thund 34	Helsinki	shower 20	Mexico City	fair 30	Singapore	fair 31
Atlanta	fair 32	Brussels	fair 23	Delhi	cloudy 37	Hong Kong	thund 31	Miami	thund 32	Stockholm	cloudy 21
B. Aires	shower 18	Budapest	rain 20	Dubai	sun 41	Honolulu	fair 32	Milan	sun 28	Strasbourg	fair 25
B.ham	fair 25	C.hagen	fair 21	Dublin	fair 23	Istanbul	fair 30	Montreal	cloudy 21	Sydney	fair 18
Bangkok	thund 38	Cairo	sun 31	Dubrovnik	sun 26	Jakarta	fair 32	Moscow	thund 25	Tangier	fair 26
Barcelona	thund 25	Cape Town	sun 21	Edinburgh	fair 22	Jersey	sun 19	Munich	cloudy 26	Tel Aviv	sun 30
						Karachi	sun 37	Nairobi	fair 25	Tokyo	cloudy 28
						Kuwait	sun 46	Naples	fair 28	Toronto	fair 21
						L. Angeles	cloudy 25	Nassau	fair 32	Vancouver	shower 19
						Las Palmas	fair 27	New York	thund 29	Venice	sun 24
						Lima	fair 24	Nice	sun 27	Vienna	shower 22
						Lisbon	fair 25	Nicosia	sun 32	Warsaw	shower 24
						London	shower 26	Oslo	fair 23	Washington	thund 32
						Lux.bourg	cloudy 23	Paris	fair 25	Wellington	fair 14
						Lyon	fair 27	Perth	fair 15	Winnipeg	fair 28
						Madeira	sun 25	Prague	cloudy 23	Zurich	fair 22

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صكنا من الاجل

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday July 9 1997
Week 28

IN BRIEF

Eurostar 'ahead of results target'

The Eurostar high-speed train service through the Channel tunnel is expected to break even before reaching its target of 10m passengers a year, Mr Adam Mills, chief executive of London & Continental Railways has said. The company, which won a 999-year concession to build the high-speed London-Channel tunnel rail link and operate Eurostar just over a year ago, plans a stock market flotation next year. Page 16

Hitch over biggest TV sports deal
A row is threatening one of the biggest TV sports deals ever awarded after Fifa, world football's governing body, warned Kirch, the German media group, that it was potentially in breach of contracts worth SFr2.8bn ($1.92bn) for the 2002 and 2006 World Cups. Page 14

German stock market thunders ahead
The German stock market has thundered ahead this year at a pace which has astounded the most bullish forecasters. DAX ended its electronic trading session at 4,030.10. This represents a gain of nearly 40 per cent on the year to date and 77 per cent since 1995. Page 14

Poor harvest forces imports on Bulgaria
Bulgaria will have to import about 1m tonnes of wheat to cover a shortfall caused by this year's disappointing harvest. The projected harvest is 2.4m tonnes. Page 20

Zurich index reaches all-time high
Derivatives-linked buying, the stronger dollar and the favourable interest rate outlook enabled Zurich to power its way through the 6,000 point level on the SMI index for the first time. The index peaked at a day's high of 6,027.8 before settling back with a rise of 65.6 at an all-time closing high of 6,012.6. Page 30

Lisbon names Brisa IPO co-ordinators
Portugal has appointed Deutsche Morgan Grenfell and Banco Cisf, the investment banking arm of Banco Comercial Portuguès, as global co-ordinators for an initial public offer of Brisa-Auto Estradas de Portugal, the country's monopoly motorway operator. Page 15

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Adidas	213.7	+	13.4
Hamburg Elek	476	+	11
SAP AG	396	+	15.5
Wella	1278	+	39
Falls			
Bodenwerk	533	–	20
Karstadt	623	–	16
NEW YORK ($)			
Rises			
Computer Task	36½	+	2⅞
Equit Iowa	65¾	+	8¼
Equit Office	25¼	+	4⅛
Falls			
Carson A	9¾	–	1⅛
Coltec Corp	110⅞	–	11⅞
Genl Cigar	25	–	2⅛
LONDON (Pence)			
Rises			
Expro Intl	500	+	42½
Wembley Invs	250	+	22
Falls			
Dalgety	222½	–	39
Renishaw	280	–	62½
Spirax-Sarco	606	–	40½
Woolwich	301	–	33
TORONTO (C$)			
Rises			
BFC Construct	15.0	+	1.0
CFS Group	4.0	+	1.0
Triton Mining	2.0	+	0.75
Falls			
Golden Star	8.5	–	0.75
Rotio Intl	6.1	–	0.6
Rio Narcea	3.0	–	0.7

PARIS (FFr)			
Rises			
Fonc Lyon	780	+	17
Havas Advert	701	+	11
Seb SA	1079	+	35
Falls			
Alcatel	775	–	16
BIC	952	–	18
Worms Cie	349	–	11
TOKYO (Yen)			
Rises			
Citizen Watch	942	+	29
Oki Electric	578	+	23
Tokai Carbon	480	+	29
Falls			
Daiwa Bnk	531	–	39
Lng Trm Cred	413	–	17
Toyo Kanetsu	251	–	15
HONG KONG (HK$)			
Rises			
Cheung Kong	73.0	+	1.25
Swire Pac A	69.0	+	1.25
Falls			
China Mtr Bus	80.0	–	1.5
Cosco Pcfc	16.35	–	1.3
New Wrld Dev	45.0	–	1.4
Wharf Hldgs	30.4	–	1.0
BANGKOK (Baht)			
Rises			
Foremost	94.5	+	8.5
Loxley Pcfl	60.5	+	5.5
Thai-German	18.5	+	1.5
Falls			
Banpu	354.0	–	38.0
Samart	96.5	–	10.5
Shinawatra	191.0	–	21.0

New York and Toronto prices at 12.30pm.

Italy closes bond gap on Germany

Early Emu entry hopes boost market confidence

By Edward Luce and Krishna Guha

Italian bond prices surged yesterday on renewed confidence that Italy will join the first wave of European monetary union in 1999.

Yields on 10-year Italian bonds fell to 6.52 per cent from 6.6 per cent on Monday, less than a percentage point higher than German government paper.

The 10-year yield spread over Germany – which measures the extra risk premium investors demand for holding Italian government paper – stands at 97 basis points, its lowest level since the early 1970s. (A basis point is one hundredth of a percentage point.)

"As long as the markets believe Emu will go ahead with Italy on board, this convergence rally will continue," said Mr David Brown, chief European economist at Bear Stearns in London. "Standing in the way of the rally in Italian bonds would be like standing in front of an express train."

As recently as April 1995, the spread between Italian bonds and German bunds was as high as 600 basis points. Since then, the gap has narrowed as Italy's chances of joining the first wave of Emu improved – bringing gains to Italian bondholders and cutting the cost of government borrowing.

Investors have been encouraged to buy Italian bonds because of falling inflation and an improvement in the country's fiscal position, making it more likely that it will meet the Maastricht criteria for Emu membership. "Italy has made remarkable strides in cleaning up public finances and improving tax collection," said Mr Aram Flores, bond strategist at Lehman Brothers.

The victory of the socialist party in the French parliamentary elections on June 6 has triggered the latest phase in the Italian market's rally.

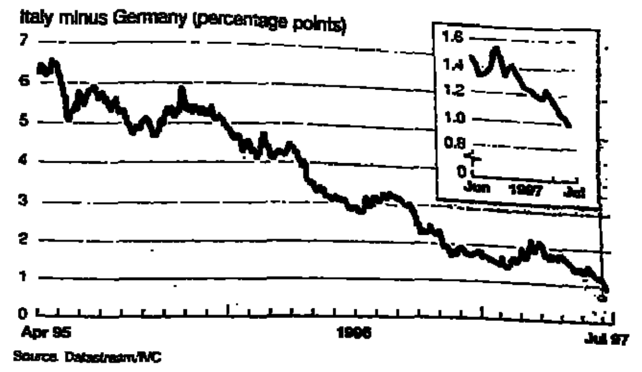
During the election campaign, Mr Lionel Jospin, the new French prime minister, promised to press for the inclusion of Italy and Spain in the first round of Emu.

"The change in the French government – more or less in favour of a broader, softer Emu – sent Italy and Spain flying," said Mr Flores.

Subsequently, confidence that Italy and other so-called "Club Med" countries will become founder members of Emu has also been bolstered by signs that both the French and German governments may not meet the rigid entry criteria for the single currency.

Analysts say that if France or Germany fail to reduce their budget deficits to 3 per cent of gross domestic product or less, it will be almost impossible to exclude Italy from the first round of Emu. According to Mr Brown, Italy will benefit "as long as the markets think that Emu will give birth to a soft euro".

10-yr bond spread



Source: Datastream/ICV

GEC planning $6.7bn joint venture flotation

By Ross Tieman, Stefan Wagstyl, and Bernard Gray

GEC, the UK's leading electronics group, yesterday announced a wide-ranging restructuring including proposals for a £4bn ($6.76bn) stock market flotation of GEC Alsthom, its power engineering and transport joint venture with Alcatel Alsthom of France.

Mr George Simpson, managing director, said that he planned to move the group away from "a joint venture culture" towards GEC-managed operations in three core activities – defence and aerospace, industrial electronics and telecommunications.

GEC yesterday announced results for the year to the end of March, which showed a 28 per cent decline in pre-tax profits to £707m, after taking account of £303m in exceptional charges, including redundancy payments and other restructuring costs. Before the exceptional charges, profits rose slightly to £1.01bn on virtually unchanged turnover of £11.15bn.

Announcing the outcome of his six-month strategic review, Mr Simpson said that while GEC was a very strong company, it had reached a stage where "it needs to transform itself through a process of radical change."

As a first step, GEC is pressing Alcatel Alsthom, and the management of GEC Alsthom to agree to a flotation within three months. The partners would float a majority of the GEC Alsthom's business, but retain stakes. GEC investors would receive free shares.

If that proves unsatisfactory, GEC could agree division of its assets between the partners, or sell its 50 per cent stake, Mr Simpson said.

But plans by GEC to sell its 60 per cent interest in GPT, the telecoms equipment maker, to its partner Siemens have collapsed.

Defence will remain at the core of GEC. Discussions continue with Finmeccanica of Italy about combining defence interests. But Mr Simpson said he had no present plans to combine Marconi with British Aerospace, a long-term suitor.

Mr Simpson said GEC would devote its £1.09bn cash pile to developing its largest industrial businesses in the UK and US into global leaders. But the disposal of smaller industrial activities, with sales totalling some £600m, was planned.

A determined move, Page 16
Lex, Page 12

George Simpson: move towards core activities

Sanwa to use voice recognition in banking

By Gillian Tett in Tokyo and George Graham

Sanwa Bank, one of Japan's largest banks, is developing the country's first telephone banking service using computers that can recognise a customer's voice. It aims to install computers that recognise voices to run security checks for telephone banking and provide a 24-hour automatic service.

The innovative voice verification technique is a giant leap forward in a country which until last month could not boast even the most basic of telephone banking services. It reflects increasing competition between Japanese banks in the retail banking market, before the planned financial deregulation, or "big bang".

Japanese retail banking services are underdeveloped compared with those in other countries such as the US. But some banks are copying overseas technology and improving on it.

In Japan, Citibank, the US group, used to be the only big bank to offer even the plainest of telephone banking services in Japan. But last month Sumitomo Bank, which has 12m accounts, became the first Japanese bank to launch its own telephone banking service. Sanwa started a similar service the following day.

Equity Office makes strong NYSE debut

By Richard Waters in New York

The largest office property group in the US made its debut on the New York Stock Exchange yesterday, adding to the stream of companies which have rushed to cash in on the recent stock market enthusiasm for the sector.

Equity Office Properties Trust is the third, and biggest, public vehicle for Mr Sam Zell, a Chicago-based investor renowned for his skills in buying distressed property at rock-bottom prices. Investors lined up yesterday to pay a considerable premium for a piece of his latest public company, lifting the shares from their issue price of $21 to $25⅞ by early afternoon in New York, a rise of 23 per cent.

That valued the company at just over $4bn, compared with its book value of $2.9bn – a hefty price even by the standards of office property companies, which have proved the most popular among investors in recent months. At the early afternoon price, Mr Zell's personal stake was worth $380m.

The sale comes two weeks after Mr Mort Zuckerman, another renowned property investor, raised $900m through a similar offering, selling 70 per cent of Boston Properties. Both companies are property investment trusts, tax-efficient vehicles which were among the best performers on Wall Street last year.

The underwriters, led by Merrill Lynch, increased the number of shares on offer from 15m to 25m, and priced the stock at the top of the $19-$21 range that had been indicated.

Much of the $525m raised from the sale will be used to buy more office buildings.

Barry Riley

From Japan to junk as the bond choice widens

The timing of J.P. Morgan's launch last week of its bi-weekly Global High Yield Review must tell us something about the state of the international capital markets. It either means junk bonds are finally attaining the status of a respectable asset class or to contrarians, that the global contraction of risk premiums is reaching a dangerously fashionable climax.

One of J.P. Morgan's hot tips is the 12¼ per cent paper of Hollywood Casino Corp, which, on a 461 basis points spread and a B2/B+ credit rating, is said to represent a rewarding exposure to the "emerging gaming markets".

Although to European eyes this seems a long way from a respectable institutional-grade investment, attitudes might change. After last week's UK Budget, British pension funds find themselves taxed on equity dividends on much the same basis as applies to their US counterparts.

Because UK pension funds still receive gross interest payments, the issuance by British companies of high-yield, low-grade bonds has become more tax-efficient as a means of delivering investment income, rather than the payment of generous equity dividends.

The structure of the US high-yield debt market is similar to equities, with a range of specialist sectors and indices calculated on a capitalisation-weighted basis.

High-yielding markets have been delivering impressive returns. J.P. Morgan's Emerging Markets Bond Index has outperformed the S&P 500 Total Return Index since 1992, and has returned 10 per cent in the first half of 1997. Of course, equity-type returns suggest the presence of equity-type risks. But global economic conditions have been benign.

As for domestic US debt, the Merrill Lynch High Yield Index has returned about 3 per cent less than the S&P's 19 per cent average annual return over 5½ years, but has displayed much lower volatility.

> Since the UK Budget, high-yield British company bonds have become more efficient in generating income for pension funds

The appeal of the emerging markets is nothing new – after all, the UK's flagship closed-end investment trust, Foreign & Colonial, was founded in 1868 as a diversified emerging markets junk bond fund.

But sentiment can rapidly change. The crisis in Thailand has unsettled a number of other emerging markets in south-east Asia. Latin America, on the other hand, is expanding on a tidal wave of confidence – at least until the next Mexican collapse.

In the European government, bond market high yields have almost disappeared. Convergence continues apace, with the Italian government bond spread over German bunds breaking below 100 basis points yesterday. In fact the Italian 10-year yield is now 60 basis points less than that on gilts, which have been upset by the freak economic boom and inflation worries.

Generally, however, bond markets have been encouraged by evidence of slowdowns in leading economies. The immediate pressure for higher interest rates in the US seems to be off. As for Japan, expectations that bond yields would have to make early contact with the outside world have yet again been confounded.

The Japanese economic recovery appears to be subsiding, with fears of a strong yen gripping the domestic markets as the currency attains safe haven status within a turbulent far eastern environment. The benchmark JGB yield has collapsed by 40 basis points in five weeks to 2.3 per cent.

British pension funds may be frustrated over their taxation setback, but they are in clover compared with Japanese funds. Gilts yield 170 basis points more than the government bond average for the rest of the Group of Seven.

Yet the mature UK funds have more in index-linked than in fixed-interest gilts, as they fret about matching partially indexed liabilities. Corporate or other public sector issuers might think about entering this area, as they have started to do in the US.

Alternatively, J.P. Morgan recommends the double-digit income on Asia Pulp & Paper's 12 per cent preferreds. The search for yield is well and truly on.

Row looms over World Cup TV deals

By Jimmy Burns in London and Frederick Stüdemann in Berlin

A row is looming over one of the biggest sports TV deals after Fifa, the governing body of world football, warned Kirch, the German media group, that it was potentially in breach of contracts worth SFr2.8bn ($1.9bn) for the 2002 and 2006 World Cups.

In a letter to Mr Dieter Hahn, a Kirch director, Mr Joseph Blatter, Fifa's general secretary, yesterday warned the German company that its partnership with Prisma, a newly formed Swiss-based marketing company, breached earlier agreements covering the World Cups.

Kirch and another Swiss-based company, ISL, were jointly awarded the TV contracts a year ago by Fifa after successfully bidding for the TV rights outside the US. However, Kirch last night confirmed it had appointed Prisma to market the TV rights for the 2002 and 2006 World Cups.

Separately, Prisma, which was set up by former ISL executives, said it had been appointed "to handle the TV marketing programme and implement the distribution plan as approved by Fifa".

It said: "Prisma will provide Kirch with strategic support on the worldwide TV marketing programme and will represent Kirch in the distribution of the World Cup TV rights."

ISL believes the arrangement between Kirch and Prisma is against the terms of its own joint venture with Kirch and agreements endorsed by Fifa.

"As far as we are concerned, our contract with Kirch does not allow for a third party to be brought in without our permission, and we are not in agreement with this decision," ISL said yesterday.

In his letter, Mr Blatter insisted that Fifa had also not given its permission to the partnership between Kirch and Prisma. "We would expect you to take immediate action to prevent the planned publication of this announcement," Mr Blatter told Mr Hahn.

ISL is particularly angry as the move comes just over a month after it lost a legal battle against some of the senior executives who left the company to form Prisma.

ISL claimed they had "breached non-compete" clauses in their contracts by quitting and setting up a rival marketing company.

Kirch said the deal with Prisma had not been done to alleviate financial problems at the group, which has recently been in difficulties after over-extending itself in an attempt to dominate the emerging market for digital pay-TV in Germany.

The apparently troubled state of Kirch's finances prompted speculation two months ago that it would not be able to meet its commitments on the World Cup deal. Mr Hahn denied this.

Observer, Page 11

BHP confirms commitment to copper unit

By Hugh Carnegy and Elizabeth Robinson

BHP, the Australian resources group, is committed to its copper business in spite of setbacks last year that forced it to write off A$550m (US$409m) at its North American copper operations.

"The copper business will continue to be a core business for BHP," Mr John Prescott, chief executive, said. "It will continue to contribute satisfactory rates of return, even at modest copper prices."

Write-downs totalling A$976m were behind a 60 per cent slump to A$410m in BHP's net profits for the year to the end of May.

More than half the write-downs related to the North American copper business – mainly stemming from last year's A$3.2bn purchase of Magma, the US company. Last year, North American copper operations incurred a A$13m loss on net assets of A$1.6bn. Although the Magma purchase was applauded at the time, losses at the company and the subsequent fall in copper prices has led most analysts to believe BHP overpaid.

John Prescott: confident that BHP has shaken off last year's setbacks

In an interview with the Financial Times, Mr Prescott said the benefits of the Magma takeover would come from the "consolidation of competences" within the group's copper operations, allowing fuller use of smelting capacity. The backbone of the division is the Escondida mine in Chile, the world's biggest copper mine, which last year achieved record output.

Mr Prescott said he was confident BHP had shaken off the setbacks it suffered last year.

The group would dispose of assets worth about A$1bn over the next year as it concluded a restructuring programme aimed at sharpening the focus of operations and "increasing the efficiency of our use of capital".

The asset sales will come on top of A$3bn in disposals already announced, including last month's sale of a 36.5 per cent stake in Foster's, the Melbourne-based drinks group.

Mr Prescott said the restructuring would "identify which groups meet our criteria, which can be rejuvenated and which can go".

BHP's main activities are steel, petroleum, iron ore, coal and copper. "BHP will continue to be a diverse business. I don't see any alternative to that," Mr Prescott said.

"We are in industries that generally are not growing, so we have to be one of the best performers in those industries," he added. "Growth will come from ... our diversification."

BHP announced earlier this year it would close its steelmaking operations in Newcastle, New South Wales, within two years, to concentrate on flat products.

Mr Prescott said he anticipated a modest 5 per cent increase in flat steel products over the next few years.

● BHP yesterday appointed Mr Malcolm Rifkind, the former UK foreign secretary, as director of international strategy in its petroleum division, AP-DJ reports from Sydney.

Mr Rifkind will advise BHP Petroleum on managing political risk in its expansion plans for West Africa, Russia and the Middle East.

German equities take centre stage

Low interest rates, corporate restructuring and currency trends have taken DAX above 4,000

The German stock market has thundered ahead this year at a pace which has astounded even the most bullish forecasters.

While some analysts had pencilled in a rise in the DAX index of 30 blue chips to 4,000 for the year-end, the possibility that it would reach this level in the summer was barely considered.

Late on Monday, it did just that – and yesterday the DAX ended its electronic trading session at 4,030.10. This represents a gain of nearly 40 per cent on the year to date and 77 per cent since the end of 1995.

With factors such as low interest rates, minimal inflation and the strength of the dollar – which helps exporters – not expected to change much in coming months, most analysts expect further rises.

At some stage there will be a correction. But until faster economic activity in Germany sparks a rise in interest rates to damp down prices, the DAX looks set to keep climbing.

The rapid pace of corporate restructuring has also helped fuel the market, although Mr Joe Rooney, global strategist at Lehman Brothers, says the main impulse has come from interest rate and currency trends.

"If this restructuring was unique to Germany, you would see an even more pronounced performance by German equities," he says. Low bond yields in the US and Europe have pushed funds into equities.

"The current risk on the stock market is not being invested," says Mrs Susanne Schneemayer, equities strategist at Hypo-Bank Research. She expects the DAX to stay firm, but because of the market's increased volatility, she does not exclude a slip back to 3,800 later this year.

Despite fears that rises in US short-term interest rates could affect the market, Wall Street has so far exercised a benign influence on German shares as US inflation has been kept in check.

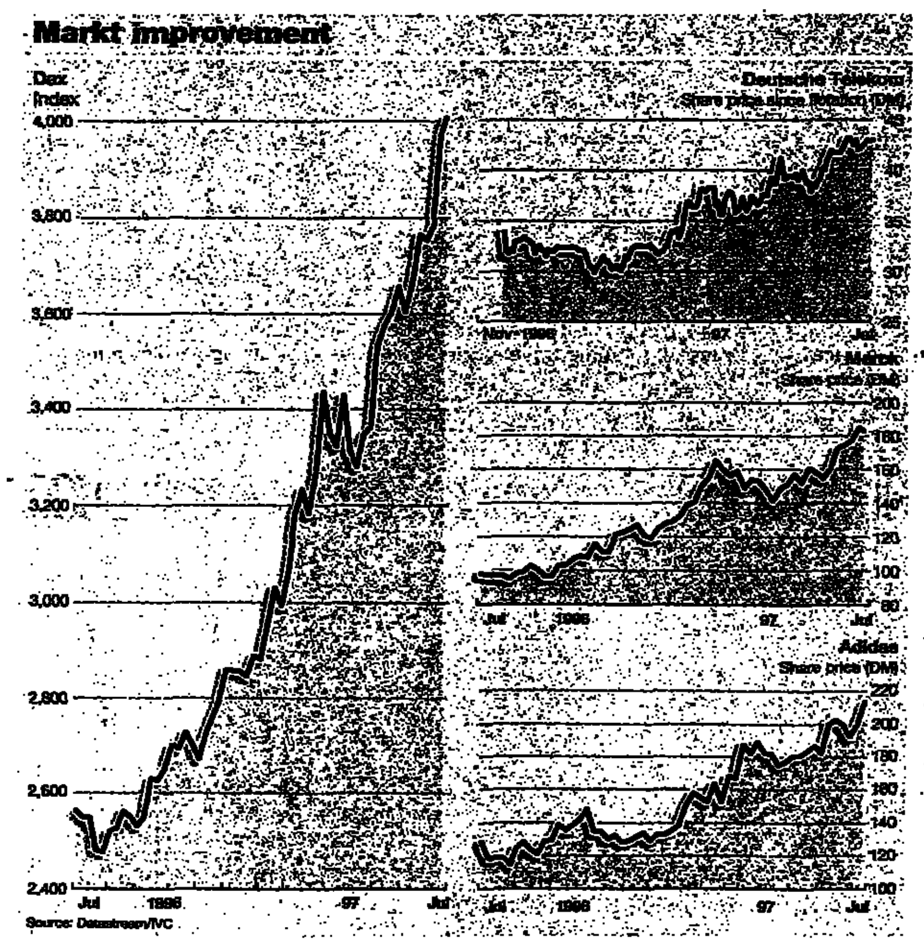
The surge in equity prices has caught many German investors – institutional and private – off balance. In the past few months, many have scrambled to recover.

New share offerings, such as the DM1.3bn ($745m) issue by Pro Sieben, the television broadcaster, have been heavily oversubscribed, with prices up sharply in initial trading. The same has been true of the few issues on the Neuer Markt, Frankfurt's new market for fast-growing, innovative companies.

Last November's DM20bn initial public offering by Deutsche Telekom alerted many investors to the attractions of share buying – Telekom's shares are now some 50 per cent above the issue price.

Adding to the renewed interest in equities is public awareness that the unfunded German state pension system faces enormous financial problems. Banks and fund management companies have stressed the attractive long-term returns from equities and are setting up new vehicles to encourage more private provision for old age.

Yet Germans still have far to go before their enthusiasm for shares matches that of investors in countries such as the US and UK. Quoted shares make up less than 6 per cent of the financial assets of private households in Germany; including investment funds, the figure is 9 per cent.



German households and institutions have become used to a strong D-Mark, backed by the monetary strictness of the Bundesbank. They have therefore been content to invest in bonds and other fixed-interest instruments.

With the planned replacement of the D-Mark with the euro, the planned single European currency, investors will be operating in a less familiar and more uncertain environment in which equities could well come to the fore.

But it will be some years before the German market can attain the breadth and depth of exchanges such as New York's and London's.

Market capitalisation in relation to the size of the economy is much lower in Germany than in the US, the UK, Sweden and Switzerland.

Though there have been some large and successful IPOs in recent years – notably Telekom, Adidas, the sportswear equipment maker, and Merck, the pharmaceuticals group – the total has been tiny compared with the US.

More are on the way, however, with company restructuring likely to swell their number. The broader the market becomes, the less trading will be dominated by such stocks as Deutsche Bank, Daimler-Benz, Siemens, Volkswagen and Bayer. If Anglo-Saxon type pension funds – heavy investors in equities – ever took hold in Germany, the stock market would receive a huge fillip. But that could be some way off.

Andrew Fisher

INTERNATIONAL NEWS DIGEST

BackWeb buys tool developer

BackWeb Technologies, a leader in the emerging internet "push" technologies market, is to acquire Lanacom, a Toronto-based developer of software tools used to select and manage information streams. Terms between the two privately-held companies were not disclosed. Mr Eli Barkat, BackWeb chief executive, described the deal as an important strategic acquisition. *Paul Taylor, London*

■ COMPUTER CHIPS

S Korean suspends production

South Korea's three big chipmakers said yesterday they would halt production of 16-megabit D-Ram chips for up to eight days this month in response to international price falls. "In terms of profits, not producing is more helpful than selling at extremely low prices," said Samsung, the world's largest D-Ram maker. The company will suspend production for one week at the end of July, cutting its output for the month by one-third.

LG Semicon and Hyundai Electronics also plan to stop lines for the most widely-used chips for five and eight days, respectively. The three companies said they were not too worried about the recent drops in international spot prices as most of their sales were based on long-term contracts. The chips are trading at below $7 a unit on international spot markets, down from this year's peak of more than $10 in April. At the end of 1996 they were at $6. Analysts said recent price falls were largely due to increased supply from Taiwan and slow personal computer sales in the US.

The three South Korean chipmakers together account for up to 40 per cent of the world's D-Ram supply and production cuts will boost the spot prices, analysts said.

Company officials said improved production productivity would help offset falling prices. "Our productivity is improving rapidly mainly in terms of the yield, and we can absorb much of the impact from the weak spot prices," said LG Semicon. Profits of the South Korean chipmakers are forecast to improve slightly this year after plunging by about 90 per cent last year. *Reuter, Seoul*

■ INTERNET

AOL in access deals

America Online has announced agreements to give prominent online placement to Amazon.com and 1-800-Flowers in exchange for a share of sales from the two internet retailers worth at least $44m. The pacts are meant to help the retailers make their online sites more readily available to consumers and expand a new source of revenue for America Online, the nation's largest online service with about 8.5m subscribers.

The deals reflect the growing trend among internet retailers to try to bolster site access by hooking up with online service providers or internet search engines. Since AOL changed to one-rate pricing in December, it has signed deals with other companies such as Tel-Save Holdings, the long-distance telephone company, and CUC International, the discount shopping service, in a bid to boost revenues. *Reuter, New York*

■ RETAILING

Montgomery Ward bankruptcy

Montgomery Ward & Co has filed for bankruptcy protection after talks with lenders aimed at rescuing the ailing 125-year old department store chain failed. The 400-store group had been negotiating with lenders on a financing package involving fresh funding to pay vendors and waivers on $1.4bn in debt. The bankruptcy filing in Delaware ends a long struggle for the retailer, which posted a $249m loss last year after earnings of $11m in 1995. It also represents a big blow for General Electric's GE Capital Services division, which owns half of Montgomery Ward. GE said it wrote off in the second quarter its investment in Montgomery Ward stock, which it acquired in a $3.8bn leveraged buyout of the retailer in 1988. *Reuter, Chicago*

■ NEWSPAPERS

Hollinger lifts Southam stake

Hollinger, the Canadian newspaper group, said about 6.545m common shares of the publisher Southam were tendered to its failed offer for Southam shares, which expired on Monday. The tenders will take Hollinger's stake in Southam from 50.45 per cent to 58.6 per cent.

Hollinger made a bid for Southam at C$23.50 a share, consisting of C$13.50 in cash and C$10 in non-voting special shares of Hollinger Canadian Publishing Holdings. Hollinger lost its bid to buy out Southam's minority shareholders, but said it would still accept Southam shares tendered under the offer. *AP-DJ, Toronto*

■ THAI STOCK

Alphatec postpones repayment

Alphatec Electronics, the Thai computer chipmaker, said that payments against convertible bonds worth $43.68m carrying put options, maturing June 22 and payable by July 7, had been postponed, as arranged with Bankers Trust. The troubled chipmaker said Bankers Trust had arranged a meeting of bondholders for August 4-8 in Zurich, Switzerland, allowing Alphatec to postpone payment.

The exact number of bondholders who exercised the put option is unclear but is said to be substantial, according to industry analysts. *AFX-Asia, Bangkok*

■ COMPUTER SERVICES

Cap Gemini sees 80% rise

Cap Gemini, Europe's biggest computer services company, said full-year net profit could be 80 per cent above 1996's FFr282m ($47.9m) on sales of more than FFr19bn. Provisional half-year results unveiled yesterday showed a leap in net profits from FFr84m to FFr220m on sales 40 per cent higher at FFr9.3bn. The company said it was likely to achieve its full-year target of lifting operating profit to 8 per cent of sales. Operating profit was 7.2 per cent of sales in the first half and 7 per cent in 1996. *AFX-News, Paris*

■ SPANISH UTILITIES

BBV cuts Iberdrola stake

Banco Bilbao Vizcaya, the Spanish bank, has confirmed it has sold 23m shares in Iberdrola reducing its stake in the utility from 10 per cent to 7.5 per cent. BBV did not provide details on the sale price, but sources close to the operation said it was Pta1,815 a share, or about Pta45bn ($306m). BBV said the move reflected its policy of maximising returns from its industrial equity holdings. *AFX-News, Madrid*

■ MOTOR INDUSTRY

Chrysler recalls 1.7m vehicles

Chrysler, the US carmaker, said yesterday it was preparing to recall about 1.7m vehicles to repair a number of problems involving air bag controls and minivan lift-gate supports. Mr Michael Aberlich of Chrysler said the company was not prepared to estimate the cost of the replacement programmes involved in the seven separate recalls. *AFX, New York*

Lisbon names Brisa IPO co-ordinators

By Peter Wise in Lisbon

Portugal has appointed Deutsche Morgan Grenfell and Banco Cisf, the investment banking arm of Banco Comercial Português, as global co-ordinators for an initial public offer of Brisa-Auto Estradas de Portugal, the country's monopoly motorway operator.

The socialist government has also named Merrill Lynch, SBC Warburg, UBS and Portugal's Banco Essi as global co-ordinators for a secondary offering of Portugal Telecom – the same consortium that organised two global offers of the monopoly fixed-line operator.

Both privatisations are scheduled for the second half of 1997 but precise dates have yet to be decided. Analysts expect demand to be strong for both offerings.

The Lisbon market has gained almost 57 per cent this year, partly as a result of falling interest rates that have encouraged mutual funds to switch investments from bonds to equities.

Brisa, which holds a concession to operate Portugal's toll motorways at least until 2025, is understood to have been provisionally valued at Es150bn ($852.1m). Analysts expect about 30 per cent of the company to be sold in the IPO.

In addition to revenue from existing motorways, Brisa is engaged in a Es400bn construction programme aimed at completing 500km of road by 2001. "Buying shares in Brisa is almost like investing in bonds," said a Lisbon analyst. "Forecasting earnings is very straightforward."

About 26 per cent of Portugal Telecom is expected to sold in the third global offering of the group, reducing the state's holding from 51 per cent to 25 per cent.

The sale will require changes in legislation that currently requires the state to own a majority stake.

The government is expected to reserve part of the offering for a group of strategic partners including British Telecommunications of the UK, MCI of the US, Spain's Telefónica, and Telebrás, the Brazilian state operator.

Portugal Telecom may also reach agreement with other European telecom groups, including Tele Danmark, on reserving small stakes in the offer.

Analysts expect the offering to be at a discount to the market price, but it is thought unlikely the strategic partners will be given an additional discount on the price of the offering.

Portugal Telecom shares, which closed up 2.42 per cent at Es7,680 yesterday, have almost tripled in value since they were first offered at Es2,800 in an IPO two years ago.

Sale of Cofap raises concerns in Brazil

Founder of car components group is set to sell his remaining stake, leaving it under foreign control

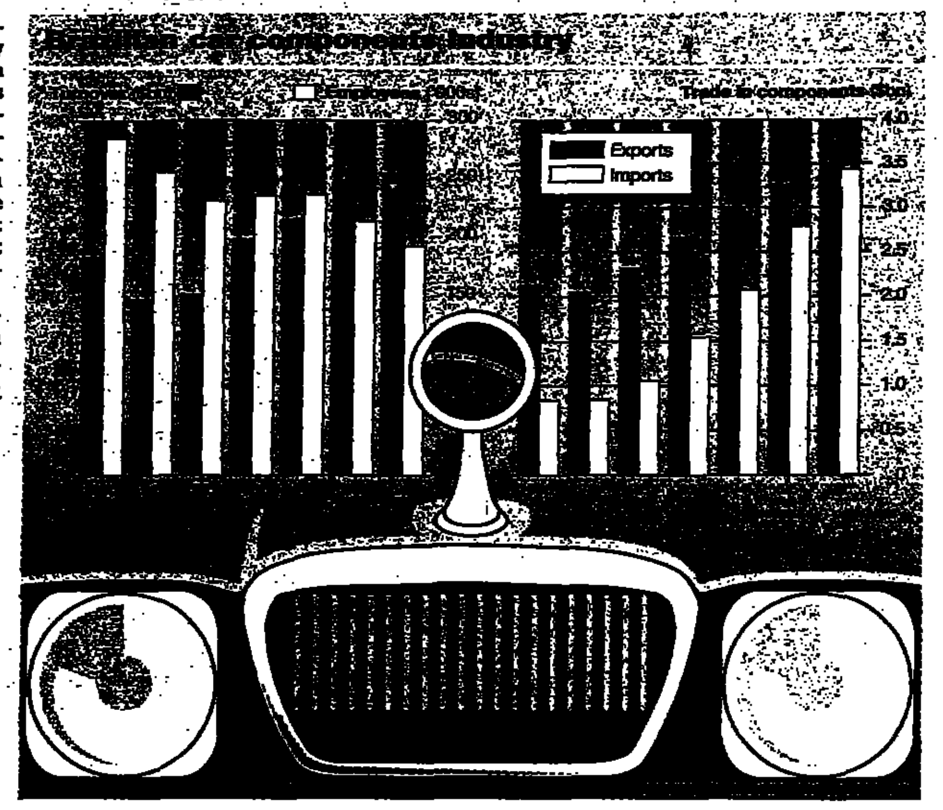
Mr Abraham Kasinski's 80th birthday on Friday will be a day to remember in Brazil's vehicle components industry. That is when Mr Kasinski is due to sell his remaining 11 per cent stake in Cofap, the company he founded in 1951 and built into Latin America's biggest parts maker and one of Brazil's leading companies.

The sale concludes a turbulent year for Cofap. In June 1996 its future as a global parts provider seemed assured, as it joined Mahle of Germany, the world's biggest maker of engine pistons, and Bradesco, Brazil's biggest private bank, in buying control of Metal Leve, a leading Brazilian maker of pistons and piston rods.

But Mahle and Cofap failed to reach agreement on sharing control of the new conglomerate, and last month Magneti Marelli, the Italian component maker controlled by Fiat, stepped in. Magneti Marelli bought 70 per cent of Cofap's voting stock – 40 per cent from Mr Kasinski's nephews and 30 per cent from Bradesco. The value of the deal, still subject to due diligence, is estimated at $120m-$200m.

More changes are likely after Friday, when Mr Kasinski will sell his remaining stock to Mahle and will almost certainly depart the company – in effect leaving Cofap under complete foreign control.

Mahle may move to take a bigger stake in Cofap. Industry figures say that Mahle and Magneti Marelli appear



willing to work together to achieve manufacturing synergies through Cofap. If Mahle combines its own operations with those of Metal Leve and Cofap, it can produce complete piston kits, meeting the increasing demand from vehicle makers for modular units rather than individual components.

For Magneti Marelli, the deal strengthens some of its existing operations, such as its exhausts division, while giving it access to new areas in a fast-growing market.

The sale of Cofap has raised concerns in the Brazilian parts industry, where some say the dividing line between vehicle maker and component maker has become too blurred: vehicle makers and their subsidiaries control about 10 per cent of the industry, which has annual turnover of about $1.7bn.

On the face of it, these should be good times. Brazil's motor industry overtook Italy's as the ninth biggest in the world last year and is heading for annual production of 2.5m vehicles by the turn of the century.

But the Cofap deal is emblematic of the Brazilian part industry's struggle to adapt to vehicle manufacturers' changing demands and to the pressures of international competition since Brazil's markets opened in 1990.

Falling trade barriers have exposed a lack of investment in the industry in Brazil, which for decades was able to charge high prices for often low-quality products. Many manufacturers can only hope to survive in the "second tier", supplying the motor industry's suppliers.

Many more will close. Sindipeças, the industry association, says the total number of parts makers will shrink from about 1,000 today to no more than 200 by the beginning of the next century.

"Parts makers need to fulfil three criteria to survive," says Mr David Wheeler, analyst at Bear Stearns in São Paulo. "They must have a global presence; they must be able to sell modular kits; and they must have a good sales mix between the domestic motor industry, exports and the replacement market."

Cofap is one of a handful of Brazilian companies able to meet those requirements. Mr Kasinski, described by one competitor as "a devil of a salesman", built up an international customer list that includes Chrysler, BMW and Caterpillar. A plant in Portugal has made piston rings since 1991 and a new factory in the US will produce shock absorbers, mainly for Chrysler, from the end of this year.

The company has benefited from its presence in the replacement market, where margins are highest. Last year, sales here accounted for about 30 per cent of turnover of $585m.

It has embarked on a restructuring programme, shedding administrative staff and moving production from São Paulo to Minas Gerais, where labour is cheaper and less unionised.

But Cofap has also faced difficulties, not least a public and acrimonious struggle for control, which pitted Mr Kasinski against his former wife, two sons and, most recently, two nephews, forcing him to give up control in the end.

However, the sale reflects more than Cofap's family squabbles. Despite the success of its restructuring programme, which returned the company to profit last year after a loss in 1995, Cofap's productivity remains low for the industry.

As many other Brazilian parts makers have shown, the only way to attain the technology, management skills and economies of scale needed to survive is to join forces with big international groups.

In the past three years a string of foreign parts makers, including Dana, Echlin and Tenneco, have entered or strengthened their position in Brazil through mergers, acquisitions and joint ventures.

"Cofap was constructed along brilliant lines by a great man," says Mr Nelson Ferreira, vice president of Sindipeças. "But in the end there was a lack of delegation, the company became too cumbersome, and it is no surprise it had to be sold."

Jonathan Wheatley

Bengang shares tumble on debut

By James Harding in Shanghai

Bengang Steel Plates, the Chinese steel producer, yesterday bucked the recent trend of enthusiastic welcomes for new Chinese listings and its shares tumbled on their debut in the Shenzhen stock market.

The shares fell to HK$2 compared with an offer price of HK$2.38, a sign of investor scepticism about the Chinese steel industry and the lacklustre mood in mainland markets since the Hong Kong handover.

"Sentiment has dried up in the Chinese markets since July 1 and in this environment Bengang could hardly have hoped for success," said one analyst with a foreign brokerage.

Mainland stocks rose strongly in the two months before China resumed sovereignty of Hong Kong, but in the past week prices have slid steadily. Yesterday, Shanghai's foreign currency share index fell 3.8 per cent to close at 71.304 and the equivalent index in Shenzhen dropped 5 per cent to 121.3.

Analysts said Bengang's poor showing suggested that other new listings might struggle in the current climate. "The liquidity needed to bounce a new share issue has gone for the time being. The perception of the company did not change this morning, but the perception of the markets has changed," said one.

Bengang completed an initial public offering of 400m foreign currency B shares in June, and will use the proceeds to expand and renovate steelmaking facilities. ABN Amro Hoare Govett in Hong Kong was the issue's international co-ordinator.

Rumours of further central government intervention in the markets have put off investors, many of whom have been taking profits since the buying spree on the prospect of Hong Kong's return evaporated.

Regulator sets French telecoms levy

By Andrew Jack in Paris and Alan Cane in London

The French telecommunications regulator yesterday fixed at 1.7 centimes a minute the charges to be levied this year on the country's private sector operators specifically to compensate France Telecom for its obligation to provide a universal service.

The figure will prove important in determining a final valuation of France Telecom if the state-owned group moves towards a partial privatisation under the country's new Socialist government in the coming months.

It will also be an essential element in dictating the pace and nature of the liberalisation of France's telecoms market.

The size of the levy drew criticism from some industry analysts yesterday, who argued that it was substantially above the comparable rates set by regulators in other countries.

The universal service charge comes on top of interconnection charges for 1997 which were unveiled in April, and which determine the commercial costs of independent telephone operators linking into France Telecom's network.

They have been set at 6.09, 12.78 and 17.57 centimes a minute for local, medium and long-distance telephone calls during the current year, figures which are significantly less than had originally been discussed.

However, analysts said yesterday that the total sum to be raised seemed high. There is argument among regulators over whether universal service is a cost to operators or whether the advantage of owning the "local loop" between home or office and exchange outweighs the costs involved. In the UK, Europe's most competitive market, the regulator has decided not to establish a fund, but is keeping the possibility under review.

The universal service charge is the estimated cost for France Telecom of its continued commitment to meeting the French government's demand that everyone in the country should have access to a telephone service regardless of their resources.

ART, the French telecoms regulator, estimated that for 1997 the cost to France Telecom of the service was FFr4.8bn ($815m). That included FFr1.8bn to compensate for the disparity in tariffs to reflect the complex system of cross-subsidies in rates. A further FFr2.6bn is designed to cover the universal geographical coverage provided by the state-owned group.

A further FFr400m has been allocated for the costs of maintaining telephone cabins, directory information and "social tariffs" for the disabled and those on low incomes. The money will be paid to a special fund managed by the state-controlled Caisse des Dépôts.

Given that France Telecom will only have accounting systems in place from next year to accurately measure this final component, it has been calculated as 0.5 per cent of the group's revenues.

ART refused yesterday to give any indications on the level of the universal service charge for 1998, which it said would be published before the start of September.

Europe's insurers branch out

Europe's insurers are responding to increased competition by broadening their horizons. A spate of big corporate deals in recent months has created financial services groups with a diverse range of interests, and the value of life assurers in particular is rising fast.

The multi-billion dollar acquisition of Equitable of Iowa, the US-based life assurance group, by ING, the Dutch financial services giant, is only the latest of several such deals.

A wave of mergers and acquisitions, driven by the need to diversify from traditional markets where growth has slowed, is reshaping the global insurance industry.

Margins in personal and commercial business have been squeezed hard in recent years, hurt by a huge influx of capital into the industry after a period of healthy profits and high returns from capital markets.

But while competition has grown in property and casualty insurance – core areas for most insurers – demand for long-term savings products and life assurance in developed economies has increased with a rise in the number of elderly.

Improved medical care in the US and Europe has added years to people's lives. But the social security infrastructure in these countries cannot cope and is gradually crumbling.

Munich Re, the world's biggest reinsurer, predicts that 23 per cent of the European population will be over 60 by 2040, compared with just under 15 per cent now.

The private sector is well placed to benefit from this, and life assurers, which sell a range of products including unit-linked personal pensions, have become targets.

Consolidation has been especially rapid in the US, the world's biggest insurance market, where growth in non-life insurance is barely keeping pace with inflation but demand for certain savings products is surging.

Here, strong growth in equity markets has fuelled sales of "variable annuities", the value of which rise and fall with investments. About one-third of Equitable's annuities business comes from these, giving ING a large stake in a market which analysts say will grow at a rate of 15 per cent a year over the next five years.

Yesterday's $2.2bn deal between ING and Equitable follows the acquisition earlier this year of US Life by American General for $1.8bn, and the purchase of the Providian life insurance business by Dutch-based Aegon for $3.5bn last year.

Analysts say the values of life assurers are soaring. They calculate that ING paid 2.7 times net assets for Equitable, compared with the 1.2 times GE Capital spent on First Colony, the US life group, last August.

"The US remains a huge market. It still has a lot of growth left in retirement savings," said one analyst. "The Dutch have been able to do a great job domestically, but there is only so much they can do in the Netherlands and in Europe."

However, the restructuring extends beyond the US. As banks make inroads into insurance and the divisions between the different areas of financial services become blurred, pressure is growing on insurers worldwide to diversify into new areas.

Last week, Munich Re became Germany's second-largest insurer when it merged subsidiary Hamburg-Mannheimer with Victoria Insurance. Yesterday, shares in Winterthur, the Swiss-based insurer, surged 5 per cent in Zurich on speculation it could merge with Credit Suisse, the banking group.

With falling premium rates in personal and commercial lines, the arrival of low-cost telephone-based sellers and the assumption by corporate buyers themselves of more risk, the economies of scale which mergers bring are a compelling argument in their favour.

The next few months will see more deals, say analysts. All eyes will be on Italy's Generali and Allianz in Germany, both of which have yet to be involved.

Christopher Adams

[illegible] in 1997

[illegible]	Bidder	Bid for	Value ($bn)
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible] Versicherungs	Victoria	n/a
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Johnson & Higgins	1.8
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Scottish Amicable	4.6
[illegible]	[illegible]	[illegible]	[illegible]

INTERNATIONAL NEWS DIGEST

Armstrong seeks to block merger

Armstrong World Industries, the US manufacturer, said yesterday it was seeking a preliminary injunction to block the planned merger of the worldwide flooring businesses of Sommer Allibert of France and Tarkett of Germany.

The move drags Tarkett into the bitter feud which is raging between Armstrong and Sommer over control of the world flooring industry. Armstrong said it was also extending an earlier complaint filed in a US district court against Sommer Allibert to include Tarkett. Armstrong claims that Sommer broke earlier agreements between the two companies and used confidential information to support its merger with the German company. The revised complaint alleges that "Tarkett aided and abetted Sommer's fraud on Armstrong," according to the US group.

Sommer Allibert and Tarkett announced the proposed merger of their flooring businesses earlier this year, in a deal worth DM1.4bn ($802m). The move to bring together the two biggest European manufacturers would create a substantial rival to Armstrong, which is the US market leader. Armstrong has sought to block the move, launching in retaliation a takeover bid for Domco, Sommer Allibert's Canadian subsidiary. Sommer Allibert has so far resisted Armstrong's advances and was yesterday unavailable for comment. *Graham Bowley, Frankfurt*

■ KGHM IPO

Shares set for Warsaw listing

Shares in KGHM Polska Miedz, the Polish copper combine, are due to be listed on the Warsaw Stock Exchange tomorrow following last week's successful initial public offering, which raised $1.3bn.

The offer closed with the foreign institutional tranche of 35m shares – 17 per cent of the company – 4.3 times oversubscribed. Local investors offered to buy 75.8m shares in a tranche containing 30m. Of this, small retail investors, who were restricted to 300 shares, have seen their bids reduced by an average 62 per cent, while local institutions have had their stakes reduced by an average of 22 per cent.

The company's 20,000 employees will receive 15 per cent of KGHM's equity in a handout conditional on holding the stock for two years. The government will retain a 49 per cent stake in the company, leaving foreign institutions with 21 per cent through Global Depositary Receipts due to be listed in London tomorrow.

Christopher Bobinski, Warsaw

■ POLISH INVESTMENT

Mutual fund opens

PKO/Credit Suisse, a new Polish retail mutual fund aimed at investments in government bonds and equities, which are capitalised at around $12bn on the Warsaw Stock Exchange, opens for business today. The fund is a joint venture between the Credit Suisse Investment Group and the state-owned PKO BP bank, which is Poland's largest savings bank with around 40 per cent of the population's zloty deposits. Polish investors have the choice of seven fund managers, including Pioneer from the US, Creditanstalt and Dresdner Kleinwort Benson.

Christopher Bobinski

■ ZINC BUY

Glencore to lift Azsa stake

Glencore, the Swiss-based trading group, is looking to almost double its stake in Asturiana de Zinc (Azsa) of Spain, the world's fourth-largest zinc producer. The company said yesterday it had applied to Madrid's bourse commission to buy 20 per cent of the company in a tender offer on the open market.

It is offering Pta3,400 a share, a premium of more than 25 per cent over the average price over the past 30 days. Glencore already holds 24.79 per cent of the Spanish producer, which it bought from the Banesto banking group in February for Pta18.2bn ($123.5m), or Pta1,820 a share. That deal was part of Banesto's gradual withdrawal from non-banking activities, leaving it with 7.9 per cent of Azsa compared with 77 per cent at the peak of its industrial holding drive three years earlier. The bank recently sold the last of its holding through placements in Madrid.

Mark Mulligan

■ ROVER

BMW denies speculation

BMW, the German motor company, yesterday strongly denied reports that it was considering selling the small car division of Rover, its UK carmaking subsidiary.

"There is absolutely no truth in the rumour," it said. Earlier reports had suggested that BMW, which bought the UK carmaker in 1994, intended to sell the small-car unit, which includes the Metro and Mini models.

Graham Bowley, Frankfurt

Review at Dalgety as warning issued

Richard Clothier

By Alison Maitland

Dalgety, the UK petfoods and agribusiness group, is launching a review of all its businesses after its second profits warning in two months and a sharp increase in exceptional charges for the year to June.

"There are no sacred cows," said Mr Richard Clothier, chief executive. "We must have a thorough look at the options that we have to improve shareholder value."

The company said annual pre-tax profits were now expected to be at least £65m ($110m) – down from expectations of £80m-£85m in May and from £102m in 1996 on a like-for-like basis.

The news, blamed by the company on disappointing final quarter trading in the troubled agriculture and petfoods divisions and changes in 1996-97 accounting practices, sent the shares plunging 39p to 232½p.

Competition from cheap imported fertilisers and chemicals and wet June weather put pressure on the arable supply business while dogfoods saw further loss of volume in secondary brands.

Describing the news as unacceptable, Sir Denys Henderson, chairman, said: "Extensive management actions will produce benefits that will become increasingly apparent during 1997-98 and beyond."

Analysts said the sharp fall in the share price, which has dropped nearly 40 per cent in the past year, again put the spotlight on potential bidders. The company said it had received no approaches, but analysts consider Nestlé to be interested in its petfoods.

The company's statement also increased the pressure on Mr Clothier, architect of the move out of snack foods to become a big player in petfoods with the acquisition of Quaker's European business two years ago. He said yesterday he had no plans to resign "at this stage", especially since the group had a new chairman, finance director and head of petfoods.

One analyst said: "I think his position is untenable in the medium term. He has presided over a massive destruction of shareholder value. But in the short term the last thing they will want to do is to spend time looking for a new chief executive."

The company said petfood cost reductions would eventually lead to savings of £20m a year, starting with £8m in the current year. Improvements should emerge, particularly in the second half of this year.

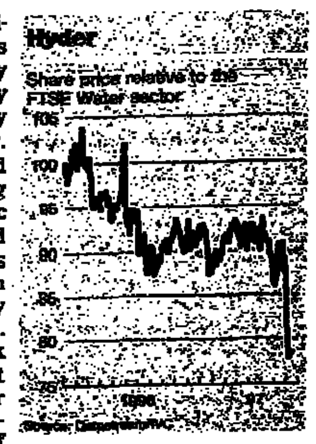
Profits, which have nearly halved in two years, are now forecast to recover to about £80m next year.

Exceptional charges for the year are put at £138m against £36m forecast in May. Petfoods will undergo a more extensive rationalisation with job losses of about 700 out of a workforce of 3,500 and will account for £67m of the charges, up from £30m in May.

There is expected to be a non-cash charge to earnings of up to £50m for goodwill, already written off, on minor businesses earmarked for sale, and £15m in additional provisions for surplus property.

LEX COMMENT

Hyder



How much debt can a utility take? The question is posed in extreme form by Hyder, the tackily renamed and heroically geared Welsh multi-utility. Its higher-than-expected windfall tax bill, raising the prospect of astronomic balance sheet gearing and prompting an ominous plan for "a statement in due course", has certainly jangled investors' nerves. There has even been talk of a rescue rights issue. It is overdone. Even if Hyder were facing a financial crisis, it would have plenty of options besides demanding fresh equity. Just stopping the company's annual discretionary price cuts for customers, for instance, would pay the interest on half the windfall tax bill. Or better still, Hyder could sell some of its remaining non-core businesses.

But it is unlikely to come even to that. The company is simply not facing financial overstretch. Even assuming it endures a tough outcome to the next regulatory review, analysts expect Hyder's interest cover to be around 2.4 times in 2001. It defies belief that such a ratio would prevent a company with revenues as secure as this from borrowing at sensible rates.

Moreover, the same forecasts suggest the company can continue to increase dividends at about 11 per cent a year in real terms until the next review, while leaving the pay-out well covered. There is no cause for panic here; investors' worries merely underline how far the UK stock market is from truly learning to love efficient utility balance sheets.

BT/MCI ready for final hurdle

By Alan Cane

British Telecommunications and MCI are increasingly confident that their planned $20bn merger will go ahead in the autumn following approval this week from the US Department of Justice.

"MCI and BT remain confident the merger can be completed as expected by the autumn" a joint statement said. BT added that prospects improved with each successive set of approvals. "It is like a pack of cards tumbling."

The merger, the largest transatlantic deal to date, involves the purchase by BT of the 80 per cent of MCI that it does not already own and the integration of the two companies into a UK-based entity to be called Concert.

It has been made possible by the US Telecommunications Act of 1996 which allows overseas companies to own more than 25 per cent of a US telecoms operator if equivalent competitive opportunities are obtained in the two markets.

The BT/MCI deal, nevertheless, faced three sizeable regulatory hurdles. Approval had to be obtained from the competition authorities in Brussels, from the US Department of Justice, which sought evidence that the deal would not damage competition in the US, and from the US Federal Communications Commission, which will seek reassurance that competition in the US market will be enhanced.

So far each obstacle has been surmounted without difficulty. Brussels and the DoJ approved the merger, asking only for minor modifications. A decision from the FCC is expected in late September or early October.

A determined move this time

GEC Alsthom break-up will need diplomacy, says Stefan Wagstyl

This is not the first time GEC has considered restructuring its investment in GEC Alsthom, its joint venture with Alcatel Alsthom of France, but it is the first time it has shown the determination to carry it out.

For Mr George Simpson, managing director, easing GEC out of the 50:50 Anglo-French partnership, which Lord Weinstock regarded as one of his greater achievements, will be a test of diplomatic as well as commercial skills.

Not only must he get a decent price for GEC's holding and leave GEC Alsthom in good shape, but he must also disengage from the joint venture without offending his French partners or the French government. GEC has too many other interests to pursue in France, notably in defence, to risk offending Gallic pride.

Mr Simpson would have preferred to have announced firm plans for GEC Alsthom, which GEC and Alcatel Alsthom formed in 1989 by pooling their power and transport businesses. GEC's favoured option is to float GEC Alsthom, which would have an estimated market value of £4bn ($6.76bn). But three weeks of negotiations with Alcatel have not yet produced agreement.

While GEC Alsthom, with annual revenues of Ecu10bn ($11.2bn), has done better than many international joint ventures, it has found it difficult to compete with rivals, including GE of the US, Germany's Siemens and ABB, the Swiss-Swedish combine.

Overcapacity in both the transport and power engineering industries is pushing down prices, while privatisation is cutting the cosy ties between equipment suppliers and formerly state-owned buyers. Mr Simpson says GEC Alsthom needs to cut jobs to reduce costs. He declines to comment on suggestions that GEC Alsthom might have to shed up to 10,000 of its 94,000 posts.

Mr Simpson adds that GEC Alsthom needs more independence to respond more quickly to rapid change. He says: "It's a bit like an overgrown teenager for its parents".

Subject to Alcatel's agreement, GEC would like to float GEC Alsthom on the London and/or Paris Stock Exchanges. The two parents would dispose of roughly equal holdings so neither was left with a dominant influence. GEC would probably reduce its stake by distributing shares directly to shareholders, to avoid capital gains tax. Cash-strapped Alcatel would probably sell in the market to raise funds.

Mr Simpson warns that if the flotation does not go ahead, then GEC would consider alternatives, including splitting GEC Alsthom on product lines and selling its holding to an outsider.

While a flotation would have advantages for Alcatel Alsthom, Mr Serge Tchuruk, chairman, is withholding comment until he has examined the details of GEC's proposals.

But he does not operate in a vacuum – the French government would be unhappy if the flotation of GEC Alsthom led to pressure from new outside shareholders for large-scale job cuts.

Executives at GEC Alsthom's Paris headquarters, who have privately often asked for more freedom from their shareholders, would be delighted with a flotation. But, unfortunately for Mr Simpson, the decision is not theirs to make.

Eurostar rushes towards break-even

By Charles Batchelor, Transport Correspondent

The Eurostar high speed train service through the Channel tunnel is expected to break even before reaching its previously announced target of 10m passengers a year, Mr Adam Mills, chief executive of London & Continental Railways, said.

LCR, which is making its first presentation to City analysts today, has adopted more sophisticated ticket pricing techniques – aimed at maximising revenues as well as passenger numbers – and has made tickets available through more outlets.

The company, which won a 999-year concession to build the high-speed London-Channel tunnel rail link and operate Eurostar just over a year ago, plans a market flotation next year.

It plans to raise £1bn ($1.69bn) in new equity, as well as £2bn-£3bn in loan finance in a listing expected to leave the founding shareholders with a relatively small number of shares. Shareholders are Bechtel, SBC Warburg, Virgin Group, National Express, SNCF, London Electricity, Arup and Halcrow.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Bespak	Yr to May 2	77.7	(76.2)	11	(16.9♥)	29.5	(63.2)	7.68	Oct 6	6.8	12.3	11
Birse	Yr to Apr 30	409.9	(362.6)	2.02	(1.12)	1.1	(0.6)	0.3	Nov 5	nil	0.5	nil
Cook (DC)	Yr to Apr 30	185.8	(180.2)	5.04	(5.03)	8.1	(8.16)	1.6	Oct 13	1.45	2.4	2.1
Division	6 mths to Apr 30	2.39	(3.03)	0.956L♠	(2.28L)	2.2L	(5.2L)	-	-	-	-	-
Gardiner	6 mths to Apr 30	48.3	(48.4)	2.52	(2.36)	1.54	(1.45)	0.3	Oct 10	0.3	-	0.95
GEC	Yr to Mar 31	11,147	(10,990)	707♠	(981♠)	14.7	(22.6)	9.89	Oct 1	9.41	13.15	12.51
Golden Land Invs	15 mths to Mar 31☆	2.1	(1.02)	0.332L	(0.433L)	1.9L†	(17.3L)	-	-	-	-	-
Gresham Computing	6 mths to Apr 30	4.5	(4.58)	0.497♠	(0.708)	0.88	(1.32)	-	-	-	-	0.5
Intl Greetings Φ	Yr to Mar 31	48.4	(44.2)	5.88♥	(3.09♠)	31.7	(15.2*)	4.5	July 31	3.333*	6.667*	5*
M&W	6 mths to Mar 30	60.7	(56.7)	1.21♠	(0.84)	4.47	(3.11)	1.65	Aug 19	1.25	-	4
Marston Thompson	Yr to Mar 29	187.5	(171.6)	29.5	(27.3)	28.86	(24.66)	5.33	Aug 9	4.8	8.03	7.3
Moorepay Φ	6 mths to June 30	-	(-)	-	(-)	-	(-)	0.95♦	Aug 1	0.857*	-	4.179*
Morris Ashby	Yr to Mar 31	39.8	(36.3)	3.5	(3)	22.5	(19.6)	5.9	Oct 6	5.05	8.5	7.5
MS Intl	53 weeks to May 3	34.5	(35.1)	5.56L♠	(0.51)	20.8L	(1.1)	0.5	Sept 8	0.5	0.6	0.6
Parkland	Yr to May 2 #	74.1	(64.4)	3.51	(3.08♥)	23.6†	(30.3)	4.2	Oct 6	1.5	6.6	7
Precoat Intl	Yr to Apr 30	49.3	(44.8)	3.29	(3.05)	15.36	(14.71)	3.8	Oct 1	3.3	6.1	5.5
Real Time Control	Yr to Mar 31	12.6	(11.9)	2.55	(2.21♥)	25.5	(20.8)	6	Oct 2	5	6	5
Savills	Yr to Apr 30	54.8	(40)	7.62♠	(4.14♥)	11.7†	(6.7)	2.5	Sept 5	2.05	3.5	2.8
Triplex Lloyd	Yr to Mar 31	200.3	(199.6)	11.3♠	(9.48♠)	13	(10.4)	4.5	Oct 1	4.5	7	7

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
East German ✠	Yr to Mar 31	0.73	(1.72)	5.46	(4.13)	0.088	(0.074)	nil	-	nil	nil	nil
Fleming Geared	Yr to May 31	354.3	(307.2)	0.296	(0.695)	1.74	(4.09)	1.8	Sept 26	1.7	2.7	2.45‡

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ☆Comparatives for 15 months to December 31 1995. ΦAim stock. *Adjusted for scrip issue. ♦Second interim; makes 1.77p to date. #Comparatives for 14 months. ✠German currency. ‡Excludes 2p special.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

	Provisional Price for Trading on 09.07.97	Final Prices for Trading on 11.06.97		
½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	10.30	14.33	14.45	1.04
0100	10.01	14.33	14.45	1.04
0130	10.00	14.33	14.45	1.04
0200	10.00	14.33	14.45	1.04
0230	10.00	14.33	14.45	1.04
0300	10.00	14.33	14.45	1.04
0330	10.00	14.33	14.45	1.04
0400	10.00	14.33	14.45	1.04
0430	10.00	14.33	14.45	1.04
0500	10.00	11.58	11.69	1.04
0530	9.20	11.58	11.58	0.00
0600	9.20	11.58	11.58	0.00
0630	10.02	11.58	11.58	0.00
0700	16.82	16.08	16.20	1.04
0730	12.33	19.54	19.66	1.04
0800	17.25	19.94	20.05	1.04
0830	17.89	19.96	20.09	1.04
0900	18.01	20.58	20.67	1.04
0930	18.15	38.12	38.29	1.04
1000	18.87	38.18	38.36	1.04
1030	18.94	22.41	22.62	1.04
1100	20.38	22.91	23.15	1.04
1130	20.56	23.00	23.26	1.04
1200	27.99	23.00	23.25	1.04
1230	27.64	22.91	23.14	1.04
1300	27.38	22.79	22.99	1.04
1330	18.27	22.66	22.82	1.04
1400	18.00	22.60	22.75	1.04
1430	17.94	22.58	22.73	1.04
1500	17.93	22.58	22.73	1.04
1530	17.94	22.62	22.78	1.04
1600	17.99	28.73	28.94	1.04
1630	18.07	23.10	23.40	1.04
1700	23.81	36.66	36.98	1.04
1730	23.73	36.49	36.76	1.04
1800	16.45	26.64	26.82	1.04
1830	17.83	20.46	20.59	1.04
1900	16.35	19.98	20.09	1.04
1930	15.82	19.96	20.09	1.04
2000	16.82	19.96	20.09	1.04
2030	15.79	19.54	19.66	1.04
2100	15.79	15.69	15.80	1.04
2130	17.94	30.05	30.16	1.04
2200	17.94	30.05	30.16	1.04
2230	17.94	30.05	30.16	1.04
2300	17.94	30.05	30.16	1.04
2330	12.33	15.69	15.80	1.04
2400	12.24	14.69	14.69	1.04

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0118 945 6789 between 9.00am and 5.15pm Monday to Friday.
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NEWS DIGEST

Molins warns of higher US costs

Shares in Molins fell sharply again yesterday after the cigarette and packaging machinery maker revealed that the cost of accounting irregularities at its US corrugated board business would be higher than at first expected.

The shares, which fell more than 60p in early trading, closed 29p down at 470p. The fall followed a 13 per cent tumble to 645p in April, when the group revealed that profits had been overstated at its Langston Corporation subsidiary. Mr Leo Maynes, the division's president, and Mr Walt Belville, its chief financial officer, were dismissed.

Price Waterhouse has completed its investigation alongside KPMG, the group's auditors. It concluded that a large number of irregularities, mostly quite small, had accumulated over a number of years, leading to an overstatement of net assets. The group will take an exceptional charge of £12.2m ($20.6m) against 1997 pre-tax profits to cover the Langston irregularities. This compares with an initial expected cost of £7.4m.

Mr Peter Harrison, chief executive, said the reason for the discrepancy was that the problems went back for at least 10 years – longer than originally thought. He stressed that there was no evidence of anyone taking cash out of the business or making any kind of personal gain. "I am confident we can put a line under this old issue and start driving the group forward," he said.

The group also announced a £1.5m charge for restructuring its tobacco machinery division in Brazil, which has fallen into the red because of weak demand.

David Blackwell

UK quote for Hitachi Credit

Hitachi Credit (UK) is joining the London stock exchange through a £20m ($33.8m) placing, which values the credit finance and lease company at £57.3m. HCUK, at present a wholly-owned subsidiary of Hitachi Credit Corporation, will become the first Japanese company to float on the LSE.

The placing is for 14.8m shares, or some 35 per cent of the company, priced at 135p and has been fully underwritten by UBS.

HCC, which is listed in Tokyo, is not selling any of its stake and will maintain a holding of about 65 per cent.

Mr David Anthony, HCUK general manager and finance director, said the £18.9m net raised would mainly be used to fund new computer systems and expansion of the company's business and retail credit operations. These divisions, which trade under the Nova name, together account for about two thirds of sales.

There were plans to launch branded store cards for existing clients within 18 months and the company was also considering following some of its partners into continental Europe. About a quarter of sales in the business credit division now came through vendor relationship deals, mainly with Japanese firms that hoped to expand to the Continent.

The company also has a contract hire and fleet management business called Fleetlease, whose clients include KPMG, the accountants.

Virginia Marsh

Amstrad plans new action

Amstrad, the UK consumer electronics group, is considering bringing a new action in the US against Seagate Technology for alleged fraud, in order to obtain punitive damages.

After a hearing and further submissions to determine the interest payable on £57m ($96.3m) damages awarded in May to Amstrad, the company said the court had determined the total payment to be £85.45m, plus a substantial part of its costs.

Amstrad said it would appeal against all the decisions relating to interest and taxation. It took legal action against the US disc drive maker eight years ago, claiming Seagate had supplied it with defective drives.

Amstrad is seeking a total settlement of £105m, including interest on a claim dating back to 1989.

Thomson moves on UK travel

Thomson Corporation, the Canadian publishing group, has split responsibility for its UK travel operations from its other businesses at boardroom level, fuelling speculation that it is paving the way for a demerger of Thomson Travel Group. Analysts value the UK's largest package holiday company at about £1bn ($1.69bn).

Mr Dick Harrington, who last week became chief operating officer of the Toronto-based group, has taken responsibility for two of its three main businesses – publishing and newspapers. Travel is being handled by Mr Michael Brown, president and chief executive officer.

Thomson played down suggestions that the separation was further illustration of the group's desire to float or sell Thomson Travel sooner rather than later. Mr Nigel Harrison, executive vice-president, said yesterday: "It could be appropriate to spin it off longer-term but the decision has not been made." He also indicated that the division of responsibility was temporary.

Thomson Travel has been talking to investment banks in London about a possible flotation but none has yet been appointed pending a final decision.

Hyder

Molins warns

higher US cost

INTERNATIONAL CAPITAL MARKETS

Warm welcome for NTT's 10-year issue

INTERNATIONAL BONDS

By Edward Luce and Michael Lindemann

Nippon Telegraph and Telephone gave a timely kick to the sleepy euroyen market yesterday with the first 10-year benchmark in yen since 1994.

A banker at Morgan Stanley, joint bookrunner with Merrill Lynch, said the offering was well received by UK and continental European investors with some offshore buying by US funds.

The bond was priced to yield just four basis points over 10-year Japanese government bonds, with a coupon of 2.50 per cent. NTT last tapped the euroyen market in 1996.

One banker said some demand probably came from investors selling bonds from earlier euroyen issues to realise the significant capital gains in recent years. Funds with indexed weightings in yen-denominated debt were also keen to buy, despite the low prevailing rates in the Japanese market.

International Bank of Japan, Nikko Securities and J.P. Morgan were co-leaders of the deal.

The Republic of Lithuania yesterday became the first Baltic country to issue a publicly offered eurobond. The $200m five-year bond was priced to yield 105 basis points over Treasuries – well below the 200 to 250 basis points the country has negotiated for recent syndicated loans. It is also well inside the country's first private placement in the eurobond market in 1995, which came in at a spread of 445 basis points over two-year Treasuries.

"Investors have ridden the Poland wave and see a parallel story in Lithuania," said an official at J.P. Morgan, sole bookrunner. Polish five-year bonds are trading at a spread of about 50 basis points over Treasuries.

About 50 per cent of the distribution was to US investors. The bond tightened in to a spread of 102 basis points after launch.

SBS-Agro, one of Russia's largest private banks, helped continue the vogue for Russian paper. The $200m three-year bond was priced to yield 425 basis points over Treasuries. Strong buying from European investors and offshore US funds saw the spread narrowing to 407 basis points in the secondary market. "Everybody is spotting value in Russian paper," said an official at J.P. Morgan, the bookrunner. "The yields are much more attractive than on Latin American paper."

Banco Real, Brazil's fourth largest private bank, made its first eurobond issue since 1995. The $250m offering – split between a three-year $175m tranche and a four-year $75m portion – was priced to yield 190 basis points over Treasuries. This was significantly cheaper than recent eurobonds from Brazilian competitors.

Canada made a rare appearance with a five-year $1bn global. The issue, about 15 per cent of which was taken up by US investors, was launched at 8 basis points over Treasuries and closed the day trading at 7.5 points over, according to Salomon Brothers, one of three lead managers. It said demand was strong, partly because sovereign borrowers were becoming scarcer.

Halifax, the UK building society which recently converted into a bank, offered a DM1bn 10-year bond, its biggest D-Mark issue.

Credit Suisse First Boston, which led the issue, said Halifax had become well-known in France after several French franc bonds. The bond was launched at 18 basis points over the July 2007 bund and was trading at that level last night. CSFB said the D-Mark market was an obvious choice, given that German investors preferred banks.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Canada	1bn	6.125#	99.487R	Jul 2002	0.25R	+8(6¼%Jun02)	Merrill/BMO NB/Salomon
Banco Real	175	7.875#	99.8557R	Jul 2000	0.50R	+190(6⅝%-00)	WestMerchant
Banco Real	75	8.125#	99.849R	Jul 2001	0.50R	+206(6⅝%-01)	WestMerchant
Texaco Capital(a)§	200	3.50	100.00	Aug 2004	2.50	-	CSFB
Republic of Lithuania	200	7.125#	99.615R	Jul 2002	0.625R	+105(6¼%-02)	JP Morgan Securities
SBS-Agro Finance	200	10.25	99.25R	Jul 2000	1.50R	+425(6⅝%-00)	JP Morgan Securities
Svenska Handelsbanken‡	200	(b)	100.034	Jul 1998	0.05	-	Chase Manhattan Intl
Keiyo Co*‡	100	(c)	100.00	Jul 2002	0.30	-	Yamaichi Intl(Europe)
■ D-MARKS							
Halifax	1bn	5.625	99.201R	Jul 2007	0.35R	+18(6%Jul07)	CSFB
Beta Finance Corp	300	4.50	99.33R	Aug 2002	0.25R	+28(4½Feb02)	SBC Warburg
■ YEN							
NTT	100bn	2.50	99.044R	Jul 2007	0.325R	+4(JGB 194)	Merrill/Morgan Stanley
■ STERLING							
CARD No 4(d)‡	240	(d1,s)	99.69R	Jul 2004	0.20R	-	Barclays de Zoete Wedd
Northern Rock B/S(e)‡	50	(e1)	100.00	Jul 2002	0.02	-	Deutsche Morgan Grenfell
■ FRENCH FRANCS							
Council of Europe	3bn	(f)	(f)R	Aug 2007	-	+12(I)	JP Morgan/SocGen
■ ITALIAN LIRE							
Südwestdeutsche LB	300bn	6.50	101.82	Aug 2007	2.00	-	BCI/BNP/San Paolo, Turin
Bayerische Landesbank	300bn	5.875	101.50	Aug 2002	1.875	-	IMI Lux/Monte dei Paschi

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Conversion price: $140.1475. Callable from Aug 99 at par. b) 3-mth Libor -6¼bp. c) 6-mth Libor +20bp. d) Chester Assets Receivables Dealings. Secured on credit card receivables originated by MBNA. Legal maturity: 15/9/08. d1) 3-mth Libor +8bp. e) Callable on 13/7/98 at par. e1) 3-mth Libor +47bp to Jul 98, then 8¼% fixed annual. f) Priced today. I) Over interpolated yield. s) Short 1st coupon.

CAPITAL MARKETS DIGEST

Austria makes 30-year issue

Austria yesterday joined a growing list of European Union member states seeking to lengthen the maturity curve of their domestic bond markets with the issue of its first 30-year bond since the Second World War.

It joins Germany, France and the Netherlands in securing financing at a time of low interest rates and when investor appetite for yields at that end of the market is strong. The bond issue also increases the attractions of Austria's bond market for both domestic and foreign investors. Analysts said the fact that the bond was "strippable" should make it attractive to domestic investors, although initial demand was quiet. A strippable bond is one where the annual or semi-annual coupon payments can be hived off from the principal and floated separately. The previous longest-dated Austrian government bond is 18 years.

The Sch15bn bond, issued by Kontrollbank, the state financing agency, was priced to yield 9 basis points over the German 30-year bond and carries a coupon of 6.25 per cent with a maximum yield of 6.45 per cent.

Vincent Boland

■ EUROPEAN INDICES

Exchanges in benchmark bid

The French, German and Swiss stock exchanges have agreed to launch a new family of Europe-wide equity indices in the run-up to European economic and monetary union (Emu). The indices, which will be used as benchmarks for international equity portfolios, could also become the underlying instruments for new futures and options.

They will inevitably be seen as rivals to the Eurotop indices launched recently by FTSE International, 50 per cent owned by the Financial Times, and the Amsterdam stock and options exchange.

Two indices will comprise shares from all European currencies and two others will contain only shares from countries participating in Emu. *Samer Iskandar, Paris*

■ LOANS AGREED

Iran borrows $500m from France

Société Générale, the French bank, yesterday said it had signed loan agreements with five Iranian banks for a total of $500m. The loans, with maturities of up to 10 years, will be guaranteed by the ministry of finance of the Islamic Republic of Iran.

They will also be covered by Coface, the French foreign trade credit insurance company. The proceeds are destined to finance French exports of industrial goods. The five banks are Mellat, Melli Iran, Saderat Iran, Sepah, and Tejarat.

SocGen also said it had signed a 360-day refinancing agreement with Bank Markazi, for the import of "products essential to the Republic of Iran". *Samer Iskandar*

BTPs' spread over bunds below 100 points

GOVERNMENT BONDS

By Vincent Boland and Krishna Guha in London and John Labate in New York

Italy's record-breaking performance grabbed the spotlight for a second day in Euroepean markets, as investors shrugged off data showing a further rise in German unemployment and a higher-than-expected jump in UK inflation in June.

Attention is turning increasingly to tomorrow's meeting of the Bank of England's monetary policy committee. Analysts said a 25 basis point rate rise was looking increasingly likely.

ITALIAN BTPs crashed through the 100 basis point spread over German 10-year benchmark bunds. BTPs narrowed three points to 97 – the smallest spread ever recorded by Italian bonds. The spread has halved since March.

BTP September futures settled fractionally higher in London, up 0.02 at 136.26 in choppy trading – a third consecutive record, reflecting confidence in Italy's prospects of joining the first wave of European monetary union.

Analysts said Italy was the most pronounced example of "spread attrition" on all high-yielding candidates for Emu. Most expected convergence to continue until BTPs reached a small premium over Spanish bonos – which trade at about 67 basis points over bunds. "In the near term it will go to 75," said Mr David Brown, chief economist at Bear Stearns.

Others said that attention would focus on Italy's yield curve. Mr Aram Flores, strategist at Lehman Brothers, said he expected it "to get to the same shape as Germany's".

BTPs remain vulnerable to news from France or Germany that challenges the consensus expectation of a "broad soft Emu". The French government audit, due on July 21, could provoke a sharp widening of spreads if a surprisingly small deficit ressurected talk of a hard Emu – or a surprisingly big deficit raised the spectre of delay.

GERMAN BUNDS weakened slightly on news of a rise of 11,000 in unemployment figures for June. Analysts said the rise, which was in line with consensus expectations, would add to the problems facing the government as it tried to keep its budget arithmetic on target for Emu. The September futures contract closed down 0.6 at 102.76.

UK GILTS were quiet as attention switched to tomorrow's Bank of England meeting. June's 2.7 per cent headline inflation rate, against expectations of 2.5 per cent, unsettled the market, but analysts said it was not enough to warrant an interest rate rise of more than a quarter of a point. The futures contract on the benchmark long gilt fell $\frac{5}{32}$ to close at $114\frac{21}{32}$ in London.

US TREASURY prices rebounded in early afternoon after moving down for most of the morning. Trading volume was light as the benchmark 30-year Treasury bond rose ¼ to 100¾, sending the yield down to 6.562 per cent. The shorter-term two-year note was unchanged at $100\frac{1}{32}$, yielding 5.880 per cent. The 10-year Treasury bond inched up $\frac{1}{16}$ to $102\frac{21}{32}$, yielding 6.241 per cent.

Prices had risen strongly during most of the past week on a low-inflation outlook, and relief following the Federal Reserve's decision not to raise interest rates.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/07	123.6018	+0.160	6.77	6.99	7.57
Austria		5.750	04/07	100.1400	-0.130	5.73	5.83	5.97
Belgium		6.250	03/07	104.5000	-0.120	5.63	5.74	6.04
Canada *		7.250	06/07	109.1600	+0.080	6.01	6.32	6.57
Denmark		7.000	06/07	106.4900	+0.040	6.13	6.29	6.43
France	BTAN	4.750	03/02	101.2890	-	4.44	4.52	4.87
	OAT	5.500	04/07	100.1700	-0.520	5.47	5.54	5.87
Germany Bund		6.000	07/07	103.2900	-0.130	5.56	5.65	5.91
Ireland		6.000	08/06	110.8900	-0.060	6.38	6.47	6.73
Italy		6.750	02/07	102.2700	+0.120	6.43†	6.70	7.26
Japan	No 148	5.600	06/02	118.4390	-0.120	1.58	1.63	1.90
	No 182	3.000	09/05	104.6474	-0.290	2.33	2.32	2.63
Netherlands		5.750	02/07	101.9800	-	5.47	5.53	5.82
Portugal		9.500	02/06	121.6500	+0.070	6.18	6.27	6.49
Spain		7.350	03/07	107.9200	-0.060	6.22	6.37	6.69
Sweden		8.000	08/07	110.9912	-	6.48	6.61	7.10
UK Gilts		7.000	06/02	99-11	-6/32	7.16	7.00	7.08
		7.250	12/07	101-19	-5/32	7.03	7.01	7.24
		9.000	10/08	114-28	-6/32	7.06	7.06	7.30
US Treasury *		6.625	05/07	102-20	-3/32	6.26	6.45	6.77
		6.625	02/27	100-18	-6/32	6.58	6.75	7.00
ECU (French Govt)		7.000	04/06	108.6200	-0.060	5.72	5.82	6.15

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.91
Prime rate	8½	Two month	-	Three year	6.04
Broker loan rate	7¼	Three month	5.10	Five year	6.17
Fed funds	5½	Six month	5.29	10-year	6.27
Fed funds at intervention	-	One year	5.53	30-year	6.58

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	130.38	130.38	-0.14	130.18	130.24	118,512	215,957
Dec	99.12	99.04	-0.12	99.10	99.10	197	3,395
Mar	98.52	98.44	-0.12	98.52	98.52	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jul	Aug	Sep	PUTS Jul	Aug	Sep
126	4.52	4.53	-	-	0.03	-
127	3.52	-	-	0.01	0.08	-
128	2.56	2.70	-	0.05	0.19	-
129	1.64	1.86	-	0.12	0.35	-
130	0.94	1.15	-	0.32	0.63	-

Est. vol. total, Calls 16,350 Puts 12,671. Previous day's open int., Calls 40,311 Puts 124,822

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102.80	102.76	0.06	102.92	102.60	99780	290174
Dec	101.91	101.83	-0.06	101.91	101.79	382	8155

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Aug	Sep	Oct	Dec	PUTS Aug	Sep	Oct	Dec
10250	0.52	0.83	0.63	0.97	0.26	0.57	1.30	1.64
10300	0.26	0.56	0.45	0.77	0.50	0.80	1.62	1.94
10350	0.10	0.36	0.31	0.60	0.84	1.10	1.98	2.27

Est. vol. total, Calls 16411 Puts 12967. Previous day's open int., Calls 166037 Puts 205494

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	136.16	136.26	+0.02	136.40	135.98	53769	109829
Dec	108.30	108.32	-0.01	108.30	108.20	28	1250

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	Dec	PUTS Sep	Dec
8000		28.32		0
8050		27.82		0
8100		27.32		0

Est. vol. total, Calls 6983 Puts 4384. Previous day's open int., Calls 79319 Puts 91472

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	117.65	177.66	-0.05	117.74	117.48	58,627	93,614
Dec	-	101.22	-	-	-	-	234

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	114-24	114-21	-0-05	114-29	114-15	59570	182816
Dec		114-08	-0-05			0	828

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Aug	Sep	Oct	Dec	PUTS Aug	Sep	Oct	Dec
114	0-63	1-23	1-34	2-02	0-21	0-45	1-16	1-50
115	0-27	0-53	1-04	1-36	0-49	1-11	1-52	2-20
116	0-09	0-31	0-45	1-11	1-31	1-53	2-29	2-59

Est. vol. total, Calls 2506 Puts 617. Previous day's open int., Calls 38002 Puts 29788

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.20	97.14	-0.06	97.28	97.10	393	5,492

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	113-21	113-21	+0-15	113-23	113-15	308,444	451,292
Dec	113-09	113-07	-0-02	113-09	113-02	3,591	26,279
Mar	-	112-31	-	-	-	1,657	2,399

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	124.74			124.74	124.41	2756	n/a
Dec	124.09			124.09	123.87	65	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Tue Jul 8	Day's change %	Mon Jul 7	Accrued interest	xd adj. ytd
1 Up to 5 years (20)	119.43	-0.09	119.54	2.24	5.78
2 5-15 years (20)	152.17	-0.13	152.36	1.93	6.71
3 Over 15 years (6)	183.60	-0.05	183.68	6.16	5.02
4 Irredeemables (5)	213.64	0.08	213.47	2.48	7.34
5 All stocks (51)	147.20	-0.10	147.34	2.84	6.18
Index-linked					
6 Up to 5 years (2)	205.32	-0.06	205.44	1.63	3.03
7 Over 5 years (10)	199.79	-0.08	200.26	1.64	3.18
8 All stocks (12)	199.30	-0.08	199.74	1.63	3.15

UK Indices

	Low coupon yield Jul 8	Jul 7	Yr. ago	Medium coupon yield Jul 8	Jul 7	Yr. ago	High coupon yield Jul 8	Jul 7	Yr. ago
5 yrs	7.15	7.10	7.31	7.18	7.14	7.38	7.26	7.21	7.43
15 yrs	7.00	6.98	8.13	7.03	7.01	8.13	7.10	7.09	8.23
20 yrs	7.00	6.99	8.24	6.97	6.96	8.22	7.06	7.07	8.38
Irred.†	7.07	7.07	8.33						

	Inflation 5% Jul 8	Jul 7	Yr. ago	Inflation 10% Jul 8	Jul 7	Yr. ago
Up to 5 yrs	3.61	3.59	2.68	2.88	2.95	1.16
Over 5 yrs	3.56	3.55	3.82	3.33	3.36	3.61

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Jul 8	Jul 7	Jul 4	Jul 3	Jul 2	Yr ago	High*	Low*
Govt. Secs. (UK)	97.18	97.28	97.27	96.96	97.12	92.80	97.51	93.31
Fixed Interest	125.33	124.75	124.36	123.86	124.13	112.27	125.33	115.32

Gilt Edged Activity Indices

	Jul 7	Jul 4	Jul 3	Jul 2	Jul 1
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until further notice.

UK GILTS PRICES

	Notes	Yield Int	Red	Price £	+ or -	52 week High	Low
Shorts" (Lives up to Five Years)							

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on July 8

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Spain 7¼ 03	4000	111½	111⅝		4.87
Abbey Natl Treasury 8 03 £	1000	101¼	101⅜	-⅛	7.80

CURRENCIES AND MONEY

Pound at highest since late 1990

MARKETS REPORT

By Simon Kuper and Greta Steyn

The pound, the dollar and the yen all rose against the D-Mark yesterday, driven by strong UK inflation data and a forecast leap in Japan's current account surplus.

The pound advanced 3.3 pfennigs against the D-Mark to DM2.972, with about half the gains coming after UK retail price inflation for June rose by more than expected. Sterling dropped only briefly on rumours that the Bank of England had sold it in the market above DM2.97.

The yen gained on forecasts that Japan's May current account surplus due out last night would triple year-on-year. The yen rose another Y0.34 against the D-Mark to Y64.07. The German currency has been weak in recent weeks because of gloom over the country's economy and uncertainty over European monetary union.

However, the yen slipped against the dollar, as Mr Eisuke Sakakibara, the ministry of finance official known to traders as "Mr Yen", indicated that neither the US nor Japan would seek to weaken the dollar against the yen as a way of reducing the surplus. The US currency closed Y0.2 higher on the day at Y112.6.

The dollar rose 1.2 pfennigs against the D-Mark, breaking technical resistance to close in London at DM1.757. The dollar, helped by the strong pound, briefly spiked above DM1.76, outside the range in which it has traded for months. It touched its best level since February 1994.

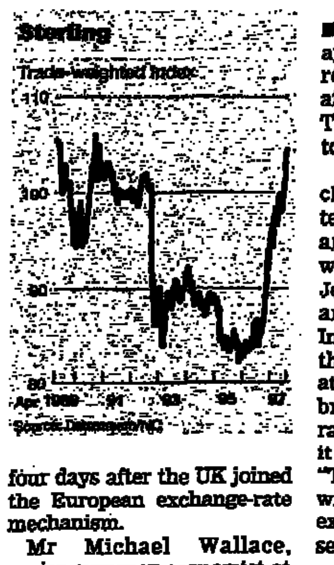
■ Pound in New York

Jul 8	---Latest---	-- Prev. close --
£ spot	1.6905	1.6895
1 mth	1.6887	1.6878
3 mth	1.6853	1.6843
1 yr	1.6681	1.6677

■ Yesterday's rise in UK inflation led many to raise their forecasts of UK base rates. Most short sterling futures contracts, which effectively bet on expected base rate levels and have plunged in recent days, dropped another 6 basis points yesterday. The September 1997 contract now prices in base rates of just over 7 per cent, compared with today's level of 6.50 per cent.

Yesterday's data prompted many in the market to forecast that this 50-point rise would come as early as tomorrow, after the Bank of England's two-day monetary policy committee meeting. Previously most economists had forecast a 25-point rise to follow the meeting.

The rate outlook is buoying the pound. It closed in London yesterday at 104.2 on its index against a trade weighted basket of currencies. The last time it stood so high was on October 12, 1990, four days after the UK joined the European exchange-rate mechanism.



Mr Michael Wallace, senior currency economist at MMS International in London, said that with the market pricing in a rate rise, sterling might fall when the increase occurred. However, many traders tipped the pound to break DM3.00 to the D-Mark by Friday.

■ The Philippine peso appears next on the currency speculators' hit list, after they recently forced the Thai baht and Czech koruna to devalue.

The Philippine currency closed slightly weaker yesterday at 26.40 to the dollar amid predictions that it would fall further. Mr Steve Jennions, emerging markets analyst at Credit Agricole Indosuez, said fair value for the currency was probably at 28.0 to 28.50 to the dollar, breaking out of the tight range of 26.1 to 26.4 in which it had been trading. He said: "The Philippine central bank will be mindful of the Thai experience. We should start seeing a managed depreciation soon." Thailand had tried and failed to stave off devaluation by jacking up interest rates. The Philippine effective overnight rate has doubled to 30 per cent in the last week.

Mr David Simmonds, emerging markets economist at Citibank in London, said: "On fundamentals we should see a slightly weaker peso, but a rapid slide is unlikely. We are in for a period of caution for emerging market currencies in general after the Czech and Thai experiences. We have had a prolonged period of heavy net flows to these countries and yield spreads have narrowed."

Ms Juliet Sampson, emerging markets research analyst at Bank of America in London, said the Philippine economy was healthier than Thailand's. Bank Negara, the Malaysian central bank, yesterday intervened to prop up the ringgit after another speculative attack.

■ OTHER CURRENCIES

Jul 8	£	$
Czech Kr	54.9310 - 55.0484	32.4920 - 32.5410
Hungary	319.152 - 319.425	188.780 - 188.830
Iran	5074.80 - 5071.80	3000.00 - 3000.00
Kuwait	0.5109 - 0.5120	0.3022 - 0.3027
Poland	5.5731 - 5.5823	3.2965 - 3.3000
Russia	9768.29 - 9779.14	5778.00 - 5781.00
U.A.E.	6.2082 - 6.2127	3.6722 - 3.6727

POUND SPOT FORWARD AGAINST THE POUND

Jul 8		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.9091	+0.2263	972 - 209	20.9324	20.7430	20.8547	3.1	20.742	3.2	20.2365	3.2	102.1
Belgium	(BFr)	61.3701	+0.7304	181 - 220	61.4230	60.3160	61.203	3.3	60.8597	3.3	59.3184	3.3	101.6
Denmark	(DKr)	11.3179	+0.1272	128 - 229	11.3384	11.2278	11.2906	2.9	11.2332	3.0	10.9897	3.0	104.0
Finland	(FM)	8.8339	+0.0874	258 - 420	8.8560	8.7770	8.8086	3.4	8.7561	3.5	8.5434	3.3	81.9
France	(FFr)	10.0248	+0.1145	205 - 290	10.0306	9.9431	9.9987	3.1	9.9441	3.2	9.6995	3.2	104.2
Germany	(DM)	2.9715	+0.0322	700 - 730	2.9778	2.9471	2.9631	3.4	2.9457	3.5	2.8689	3.5	102.5
Greece	(Dr)	467.840	+4.922	400 - 880	469.206	464.008	469.423	-4.6	472.047	-3.8	480.415	-2.7	65.0
Ireland	(I£)	1.1090	+0.004	069 - 110	1.1173	1.1055	1.1086	0.4	1.1076	0.5	1.0996	0.9	89.3
Italy	(L)	2894.74	+30.08	279 - 670	2899.99	2872.71	2894.82	0.0	2894.84	0.0	2893.19	0.1	76.2
Luxembourg	(LFr)	61.3701	+0.7304	181 - 220	61.4370	60.8580	61.203	3.3	60.8597	3.3	59.3184	3.3	101.6
Netherlands	(Fl)	3.3458	+0.0377	443 - 473	3.3503	3.3182	3.3384	3.4	3.3173	3.4	3.2334	3.4	101.0
Norway	(NKr)	12.4287	+0.1419	208 - 366	12.4384	12.3098	12.396	3.2	12.3301	3.2	12.0645	2.9	95.7
Portugal	(Es)	300.551	+4.011	420 - 682	300.697	297.841	300.395	0.6	299.865	0.9	295.777	1.6	92.4
Spain	(Pta)	251.298	+3.089	139 - 456	251.590	249.180	251.044	1.2	250.37	1.5	246.752	1.8	76.6
Sweden	(SKr)	13.1337	+0.138	235 - 439	13.1544	13.0407	13.1093	2.2	13.0589	2.3	12.8466	2.2	84.1
Switzerland	(SFr)	2.4771	+0.0238	755 - 787	2.4830	2.4582	2.4666	5.1	2.4453	5.1	2.3546	4.9	104.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	104.2
Ecu	-	1.5097	+0.0159	088 - 106	1.5127	1.4927	1.5068	2.3	1.5003	2.5	1.4707	2.6	-
SDR†	-	1.205969	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6908	+0.0065	904 - 914	1.6953	1.6827	-	-	-	-	-	-	-
Brazil	(R$)	1.8246	+0.0092	240 - 252	1.8267	1.8134	-	-	-	-	-	-	-
Canada	(C$)	2.3247	+0.0088	236 - 258	2.3379	2.3168	2.3178	3.5	2.3047	3.4	2.2551	3.0	84.9
Mexico	(New Peso)	13.3783	+0.0716	658 - 907	13.4258	13.3411	-	-	-	-	-	-	-
USA	($)	1.6911	+0.0065	906 - 916	1.6956	1.6830	1.6894	1.2	1.6859	1.2	1.6686	1.3	104.2
Pacific/Middle East/Africa													
Australia	(A$)	2.2604	-0.0061	590 - 618	2.2790	2.2493	2.2598	0.3	2.2579	0.4	2.2479	0.6	91.4
Hong Kong	(HK$)	13.0942	+0.0518	895 - 989	13.1285	13.0333	13.0932	0.1	13.0868	0.2	13.0317	0.5	-
India	(Rs)	60.4992	+0.1989	390 - 593	60.6600	60.2430	60.6944	-3.9	61.095	-3.9	62.7747	-3.8	-
Israel	(Shk)	6.0353	+0.0192	212 - 493	6.0565	6.0135	-	-	-	-	-	-	-
Japan	(Y)	190.401	+1.094	277 - 525	191.550	189.460	189.426	6.1	187.471	6.2	179.186	5.9	135.6
Malaysia	(M$)	4.2376	-0.0157	346 - 405	4.2653	4.2312	4.2418	-1.2	4.2498	-1.2	4.2685	-0.7	-
New Zealand	(NZ$)	2.5013	+0.0043	987 - 038	2.5108	2.4938	2.5011	0.1	2.5021	-0.1	2.5093	-0.3	110.5
Philippines	(Peso)	44.6451	+0.1632	642 - 259	44.7385	44.5560	44.8049	-4.3	45.0544	-3.7	46.1114	-3.3	-
Saudi Arabia	(SR)	6.3426	+0.0241	404 - 447	6.3592	6.3124	6.3391	0.7	6.3307	0.8	6.2942	0.8	-
Singapore	(S$)	2.4293	+0.011	277 - 308	2.4343	2.4104	2.4247	2.3	2.4146	2.4	2.3664	2.6	-
South Africa	(R)	7.6979	+0.054	931 - 027	7.7101	7.6453	7.7586	-9.5	7.8765	-9.3	8.3134	-8.0	-
South Korea	(Won)	1501.70	+7.46	787 - 552	1505.75	1494.00	-	-	-	-	-	-	-
Taiwan	(T$)	47.2155	+0.2151	677 - 633	47.3428	46.9865	47.1989	0.4	47.1591	0.5	46.9614	0.5	-
Thailand	(Bt)	49.1857	+0.6186	119 - 594	49.3390	48.0710	49.5223	-8.2	49.9839	-6.5	51.0141	-3.7	-

† Rates for Jul 7. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 8		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.3642	+0.0868	608 - 675	12.3690	12.3250	12.3402	2.3	12.2912	2.4	12.0672	2.4	101.9
Belgium	(BFr)	36.2900	+0.2935	700 - 100	36.3500	36.0150	36.215	2.5	36.0635	2.5	35.37	2.5	101.8
Denmark	(DKr)	6.6926	+0.0497	916 - 936	6.6973	6.6699	6.6808	2.1	6.6566	2.2	6.5502	2.1	103.5
Finland	(FM)	5.2238	+0.0318	205 - 270	5.2296	5.2145	5.2123	2.7	5.1886	2.7	5.0946	2.5	81.3
France	(FFr)	5.9280	+0.0451	272 - 287	5.9297	5.9027	5.9165	2.3	5.8926	2.4	5.7838	2.4	103.8
Germany	(DM)	1.7572	+0.0124	568 - 576	1.7585	1.7516	1.7534	2.6	1.7456	2.7	1.7107	2.6	102.3
Greece	(Dr)	276.530	+1.855	470 - 590	276.750	275.620	277.825	-5.6	279.88	-4.8	287.03	-3.8	64.7
Ireland	(I£)	1.5250	+0.0005	228 - 273	1.5278	1.5145	1.5242	0.6	1.5233	0.4	1.5237	0.1	-
Italy	(L)	1711.75	+11.25	110 - 240	1712.53	1705.50	1713.52	-1.2	1716.53	-1.1	1719.95	-0.5	76.0
Luxembourg	(LFr)	36.2900	+0.2935	700 - 100	36.3300	36.0150	36.215	2.5	36.0635	2.5	35.37	2.5	101.8
Netherlands	(Fl)	1.9785	+0.0148	782 - 788	1.9801	1.9715	1.9742	2.6	1.9657	2.6	1.926	2.6	101.1
Norway	(NKr)	7.3495	+0.0559	470 - 520	7.3544	7.3080	7.335	2.4	7.3066	2.3	7.1949	2.1	95.3
Portugal	(Es)	177.725	+1.695	700 - 750	177.850	176.900	177.689	0.2	177.635	0.2	176.465	0.7	93.0
Spain	(Pta)	148.600	+1.26	550 - 650	148.750	148.000	148.555	0.4	148.38	0.6	147.205	0.9	76.3
Sweden	(SKr)	7.7664	+0.052	626 - 701	7.7768	7.7485	7.7573	1.4	7.738	1.5	7.664	1.3	83.9
Switzerland	(SFr)	1.4648	+0.0085	643 - 653	1.4665	1.4602	1.4595	4.4	1.4488	4.4	1.4033	4.2	104.4
UK	(£)	1.6911	+0.0065	906 - 916	1.6956	1.6830	1.6894	1.2	1.6858	1.3	1.6686	1.3	103.4
Ecu	-	1.1202	-0.0076	198 - 205	1.1280	1.1195	1.1217	-1.6	1.1249	-1.7	1.1404	-1.8	-
SDR†	-	0.71669	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	999 - 999	0.9999	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	1.0790	+0.0013	789 - 790	1.0795	1.0776	-	-	-	-	-	-	-
Canada	(C$)	1.3747	-0.0001	744 - 749	1.3797	1.3731	1.3716	2.7	1.3659	2.6	1.3453	2.1	84.4
Mexico	(New Peso)	7.9110	+0.012	060 - 160	7.9190	7.9050	8.0195	-16.5	8.2305	-16.2	9.141	-15.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	103.0
Pacific/Middle East/Africa													
Australia	(A$)	1.3366	-0.0066	362 - 371	1.3424	1.3351	1.3364	0.2	1.3358	0.2	1.3315	0.4	92.8
Hong Kong	(HK$)	7.7430	+0.0009	425 - 435	7.7440	7.7420	7.7435	-0.1	7.7444	-0.1	7.7467	0.0	-
India	(Rs)	35.7750	-0.02	500 - 000	35.8100	35.7450	35.9125	-4.6	36.1975	-4.7	37.41	-4.6	-
Israel	(Shk)	3.5699	-0.0023	616 - 761	3.5888	3.5615	-	-	-	-	-	-	-
Japan	(Y)	112.590	+0.215	550 - 630	113.410	112.350	112.075	5.5	111.075	5.4	106.775	5.2	136.7
Malaysia	(M$)	2.5058	-0.019	048 - 068	2.5249	2.5040	2.5103	-2.2	2.5199	-2.2	2.5493	-1.7	-
New Zealand	(NZ$)	1.4791	-0.0032	780 - 802	1.4818	1.4768	1.4799	-0.6	1.4823	-0.9	1.4924	-0.9	-
Philippines	(Peso)	26.4000	-0.005	600 - 400	26.4500	26.3500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-0.0002	504 - 507	3.7509	3.7502	3.7513	-0.2	3.7523	-0.2	3.7569	-0.2	-
Singapore	(S$)	1.4365	+0.001	360 - 370	1.4405	1.4306	1.4348	1.5	1.431	1.5	1.4115	1.7	-
South Africa	(R)	4.5520	+0.0145	505 - 535	4.5550	4.5390	4.5925	-10.7	4.672	-10.5	4.9745	-9.3	-
South Korea	(Won)	888.000	+1	000 - 000	890.100	885.600	-	-	-	-	-	-	-
Taiwan	(T$)	27.9200	+0.02	000 - 400	27.9450	27.8900	27.931	-0.5	27.94	-0.3	28.0325	-0.4	-
Thailand	(Bt)	29.0850	+0.255	500 - 200	29.1500	28.5000	29.53	-18.4	30.235	-15.8	31.465	-8.2	-

† SDR rate per $ for Jul 7. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 7: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

July 8	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅜	3⅛	3⅛	3⅛	3½	6.00	2.50	-
France	3⅛	3⅛	3⅛	3⅛	3¼	3.10	-	4.75
Germany	3⅛	3⅛	3⅛	3⅛	3¼	4.50	2.50	3.00
Ireland	6½	6½	6¼	6¼	6⅜	-	-	6.75
Italy	6⅞	6⅞	6⅞	6⅞	6⅞	7.75	6.25	6.82
Netherlands	3⅛	3⅛	3⅛	3⅛	3¼	-	2.50	2.90
Switzerland	1½	1½	1½	1½	1⅞	-	1.00	-
US	5⅝	5⅝	5⅞	5⅞	5⅞	-	5.00	-
Japan	½	½	½	½	⅝	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅞	5¾	5⅞	6⅛	-	-	-
US Dollar CDs	-	5.44	5.52	5.62	5.76	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4⅛	4⅜	-	-	-
SDR Linked Ds	-	3⅛	3⅝	3⅝	3⅞	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 8	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3½ - 3⅜	3 11/32 - 3¼	3⅜ - 3 5/16	3⅜ - 3 5/16	3 15/32 - 3¼	3 17/32 - 3⅜
Danish Krone	3 15/32 - 3⅜	3⅝ - 3 15/32	3⅝ - 3½	3⅝ - 3½	3¾ - 3⅝	3 27/32 - 3 11/16
German Mark	3⅛ - 2 15/16	3⅛ - 3	3⅛ - 3	3⅛ - 3	3 3/16 - 3 1/16	3⅜ - 3¼
Dutch Guilder	3 - 2 13/16	3⅛ - 2 31/32	3⅛ - 3 1/32	3 3/16 - 3 1/16	3¼ - 3⅛	3⅜ - 3¼
French Franc	3⅜ - 3 3/16	3 5/16 - 3 7/32	3 11/32 - 3¼	3⅜ - 3 9/32	3 15/32 - 3 5/16	3⅝ - 3½
Portuguese Esc.	5 27/32 - 5¾	5 15/16 - 5 13/16	6 1/32 - 5 15/16	5⅞ - 5 13/16	5 15/16 - 5⅝	5 15/32 - 5 13/32
Spanish Peseta	5 5/16 - 5 3/16	5 5/16 - 5 3/16	5 5/16 - 5 3/16	5 9/32 - 5 5/32	5¼ - 5⅛	5 5/16 - 5 3/16
Sterling	5¾ - 6½	6 7/16 - 6 5/16	6 27/32 - 6 23/32	7 1/16 - 6 15/16	7 3/16 - 7 1/16	7½ - 7⅜
Swiss Franc	1⅝ - 1¼	1 13/32 - 1 9/32	1 13/32 - 1 5/16	1 15/32 - 1 11/32	1 19/32 - 1 7/16	1 31/32 - 1 13/16
Canadian Dollar	3 5/16 - 3	3 5/16 - 3 3/16	3 5/16 - 3 3/16	3 7/16 - 3 5/16	3 11/16 - 3 9/16	4 3/32 - 4 1/32
US Dollar	5 21/32 - 5 9/16	5⅝ - 5½	5 21/32 - 5 17/32	5 25/32 - 5 11/16	5⅞ - 5¾	6 1/32 - 5 29/32
Italian Lira	7 5/16 - 6 7/16	6 15/16 - 6 27/32	6 29/32 - 6 13/16	6 31/32 - 6¾	6 11/16 - 6 17/32	6 7/16 - 6 11/32
Japanese Yen	⅝ - ½	⅝ - ½	⅝ - ½	⅝ - ½	11/16 - 9/16	27/32 - 23/32
Asian $Sing	2¼ - 2⅛	3⅛ - 3	3 7/16 - 3 5/16	3⅝ - 3½	3⅝ - 3½	3¾ - 3⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.58	96.60	+0.01	96.60	96.59	18,433	71,253
Dec	96.55	96.56	+0.01	96.55	96.55	5,472	33,758
Mar	96.51	96.51	-	96.51	96.50	3,146	30,108

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.85	96.84	-0.01	96.85	96.84	17640	288121
Dec	96.78	96.78	-0.01	96.79	96.77	14486	264370
Mar	96.69	96.69	-0.01	96.70	96.68	11607	246322
Jun	96.56	96.55	-0.01	96.56	96.54	7864	179816

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jul		96.89	-			0	431
Aug		96.88	-			0	290
Sep		96.88	-			0	3
Oct		96.86	-			0	50

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.48	93.44	-0.04	93.49	93.42	17405	110840
Dec	93.92	93.86	-0.05	93.93	93.84	11099	86605
Mar	94.23	94.20	-0.03	94.24	94.15	8889	49646
Jun	94.46	94.44	-0.03	94.49	94.41	6206	35957

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.54	98.45	-0.06	98.55	98.44	10974	64962
Dec	98.40	98.29	-0.09	98.40	98.28	8171	43253
Mar	98.30	98.20	-0.09	98.31	98.19	2918	15908
Jun	98.14	98.07	-0.08	98.14	98.04	433	5959

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		99.30	-0.02			0	n/a
Dec		99.16	-0.03			0	n/a
Mar	98.95	98.95	-0.06	98.95	98.95	1	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.84	95.83	-0.01	95.85	95.82	482	8768
Dec	95.83	95.81	-0.02	95.83	95.81	49	6244
Mar	95.81	95.81	-0.01	95.81	95.80	49	4255
Jun	95.78	95.79	-	95.79	95.77	25	3035

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9325	0.26	0.67	1.02	0.07	0.06	0.07
9350	0.10	0.47	0.81	0.16	0.11	0.11
9375	0.03	0.29	0.62	0.34	0.18	0.17

Est. vol. total, Calls 7400 Puts 2261. Previous day's open int., Calls 92229 Puts 50915

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 8		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.34	4.842	1.807	4717	5.452	20.25	489.7	409.5	21.40	4.036	1.629	3.788	2.756	310.3	2.460
Denmark	(DKr)	54.22	10	8.858	2.626	0.980	2558	2.956	10.98	265.6	222.0	11.60	2.189	0.884	2.054	1.494	168.2	1.334
France	(FFr)	61.22	11.29	10	2.964	1.106	2888	3.338	12.40	299.8	250.7	13.10	2.471	0.998	2.319	1.687	189.9	1.506
Germany	(DM)	20.65	3.809	3.374	1	0.373	974.1	1.126	4.183	101.1	84.57	4.420	0.834	0.337	0.782	0.569	64.07	0.508
Ireland	(I£)	55.34	10.21	9.040	2.680	1	2610	3.017	11.21	271.0	226.6	11.84	2.234	0.902	2.096	1.525	171.7	1.361
Italy	(L)	2.120	0.391	0.348	0.103	0.038	100	0.116	0.429	10.38	8.681	0.454	0.086	0.035	0.080	0.058	6.577	0.052
Netherlands	(Fl)	18.34	3.383	2.996	0.888	0.331	865.2	1	3.715	89.83	75.11	3.925	0.740	0.299	0.695	0.505	56.91	0.451
Norway	(NKr)	49.38	9.106	8.066	2.391	0.892	2329	2.692	10	241.8	202.2	10.57	1.993	0.805	1.870	1.361	153.2	1.215
Portugal	(Es)	20.42	3.766	3.336	0.989	0.369	963.1	1.113	4.135	100	83.61	4.370	0.824	0.333	0.774	0.563	63.35	0.502
Spain	(Pta)	24.42	4.504	3.989	1.183	0.441	1152	1.331	4.946	119.6	100	5.226	0.986	0.398	0.925	0.673	75.77	0.601
Sweden	(SKr)	46.73	8.617	7.633	2.263	0.844	2204	2.548	9.463	228.8	191.3	10	1.886	0.761	1.770	1.288	145.0	1.149
Switzerland	(SFr)	24.77	4.569	4.047	1.200	0.448	1169	1.351	5.017	121.3	101.4	5.302	1	0.404	0.938	0.683	76.86	0.609
UK	(£)	61.37	11.32	10.02	2.972	1.109	2895	3.346	12.43	300.6	251.3	13.13	2.477	1	2.325	1.691	190.4	1.510
Canada	(C$)	26.40	4.868	4.312	1.278	0.477	1245	1.439	5.346	129.3	108.1	5.650	1.066	0.430	1	0.727	81.90	0.649
USA	($)	36.29	6.693	5.928	1.757	0.656	1712	1.979	7.350	177.7	148.6	7.766	1.465	0.591	1.375	1	112.6	0.893
Japan	(Y)	32.23	5.944	5.265	1.561	0.582	1520	1.757	6.528	157.9	132.0	6.898	1.301	0.525	1.221	0.888	100	0.793
Ecu	-	40.65	7.497	6.641	1.968	0.735	1918	2.216	8.233	199.1	166.5	8.700	1.641	0.662	1.540	1.120	126.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5736	0.5724	-0.0016	0.5737	0.5718	17,585	103,464
Dec	0.5783	0.5763	-0.0015	0.5763	0.5762	91	1,062
Mar	-	0.5820	-	-	0.5807	9	227

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8954	0.8979	+0.0023	0.8990	0.8903	28,981	60,214
Dec	0.9049	0.9080	+0.0018	0.9090	0.9046	235	1,049
Mar	-	0.9190	-	-	-	3	107

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6899	0.6885	-0.0026	0.6906	0.6878	15,750	51,356
Dec	0.6948	0.6962	-0.0019	0.6962	0.6948	9	947
Mar	-	0.7056	-	-	-	50	153

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.6866	1.6898	+0.0024	1.6910	1.6794	9,977	59,818
Dec	-	1.6840	+0.0024	-	-	69	831
Mar	-	1.6540	-	-	-	1	2

UK INTEREST RATES

LONDON MONEY RATES

Jul 8	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅛ - 5	6 9/16 - 6 7/16	6⅞ - 6¾	7 1/16 - 6 15/16	7¼ - 7⅛	7½ - 7⅜
Sterling CDs	-	-	6 9/16 - 6½	6 13/16 - 6¾	6 15/16 - 6⅞	7 3/16 - 7⅛
Treasury Bills	-	-	6 9/16 - 6 7/16	6 13/16 - 6 11/16	-	-
Bank Bills	-	-	6 13/16 - 6 11/16	6½ - 6 13/16	6 29/32 - 6 27/32	-
Local authority deps.	6¼ - 6⅛	6½ - 5⅞	6 11/16 - 6 9/16	6 15/16 - 6 13/16	6 13/16 - 6¾	7 1/16 - 6 31/32
Discount Market deps	6¾ - 6⅛	6⅜ - 6¼	-	-	-	-

UK clearing bank base lending rate 6½ per cent from Jun 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4½

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Jul 4, 6.5953pc. ECGD fixed rate Stlg. Export Finance. Make up day Jun 30, 1997. Agreed rate for period Jul 26, 1997 to Aug 25, 1997, Scheme III 7.99pc. Reference rate for period May 31, 1997 to Jun 30, 1997, Schemes IV & V 6.739pc. Finance House Base Rate 7pc from Jul 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.84	92.80	-0.05	92.88	92.78	24379	138819
Dec	92.65	92.58	-0.07	92.68	92.56	40941	130947
Mar	92.55	92.48	-0.08	92.56	92.46	20854	97765
Jun	92.54	92.47	-0.07	92.55	92.44	12805	60890
Sep	92.55	92.48	-0.07	92.56	92.46	9119	40934

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9275	0.13	0.09	0.14	0.08	0.26	0.41
9300	0.03	0.03	0.07	0.23	0.45	0.59
9325	0	0	0.03	0.45	0.67	0.80

Est. vol. total, Calls 6936 Puts 8191. Previous day's open int., Calls 138882 Puts 129082

EMS EUROPEAN CURRENCY UNIT RATES

Jul 8	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Finland	5.85424	5.88135	+0.00506	0.46	2.73	-3
Italy	1906.48	1925.16	+0.93	0.98	2.21	-7
Portugal	197.398	199.732	+0.665	1.18	2.00	-8
Ireland	0.798709	0.741846	-0.001572	-7.14	11.15	48
Spain	163.826	166.969	+0.347	1.92	1.26	-13
Denmark	7.34555	7.52794	+0.01246	2.48	0.71	-17
Netherlands	2.16979	2.22516	+0.00349	2.55	0.64	-19
Germany	1.92573	1.97659	+0.00289	2.64	0.55	-26
Austria	13.5485	13.9082	+0.0198	2.65	0.54	-19
Belgium	39.7191	40.7876	+0.0625	2.69	0.50	-20
France	6.45863	6.63579	+0.01178	3.21	0.00	-27
NON ERM MEMBERS						
Greece	295.269	311.074	+0.409	5.35	-2.04	-
UK	0.793103	0.685404	-0.006481	-16.10	23.01	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
1.650	3.97	-	4.59	-	0.46	0.93
1.660	2.98	3.47	3.84	0.01	0.72	1.17
1.670	-	2.76	3.21	0.08	0.91	1.52

Previous day's vol., Calls n/a Puts n/a. Prev. day's open int., Calls n/a Puts n/a

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
0.570	0.28	0.72	1.02	0.13	0.48	0.64
0.575	0.07	0.50	0.76	0.42	0.70	0.89
0.580	-	0.32	0.55	0.86	1.03	1.16

Previous day's vol., Calls n/a Puts n/a. Prev. day's open int., Calls n/a Puts n/a

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.22	94.22	-0.02	94.22	94.21	59,354	552,974
Dec	94.06	94.06	-	94.07	94.06	57,134	449,270
Mar	94.02	94.01	-	94.02	94.01	55,731	309,818

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.86	94.88	-	-	-	221	8,011
Dec	94.75	94.74	-0.01	-	-	27	552

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Aug	PUTS Sep	PUTS Dec
9675	0.09	0.10	0.11	0.09	0	0.01	0.02	0.06
9700	0	0	0.01	0.02	0.16	0.16	0.17	0.24
9725	0	0	0	0	0.41	0.41	0.41	0.47

Est. vol. total, Calls 1750 Puts 2826. Previous day's open int., Calls 346707 Puts 256035

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9850	0.11	0.13	0.16	0.15	0.34	0.46
9875	0.02	0.05	0.07	0.32	0.51	0.62

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 3025 Puts 3255

BASE LENDING RATES

	%		%		%
Adam & Company	6.50	Duncan Lawrie	6.50	Scottish Widows Bank	6.50
Allied Irish Bank (GB)	6.50	Exeter Bank Limited	7.50	●Singer & Friedlander	6.50
●Henry Ansbacher	6.50	Financial & Gen Bank	7.50	●Smith & Williamson Secs	6.50
Bank of Baroda	6.50	●Robert Fleming & Co	6.50	Sun Banking Corp Ltd	6.50
Banco Bilbao Vizcaya	6.50	●Guinness Mahon	6.50	TSB	6.50
Bank of Cyprus	6.50	Habib Bank AG Zurich	6.50	United Bank of Kuwait	6.50
Bank of Ireland	6.50	●Hambros Bank	6.50	Unity Trust Bank Plc	6.50
Bank of India	6.50	Heritable & Gen Inv Bk	6.50	Western Trust	6.50
Bank of Scotland	6.50	C. Hoare & Co	6.50	Whiteaway Laidlaw	6.50
Barclays Bank	6.50	Hongkong & Shanghai	6.50	Yorkshire Bank	6.50
Brit Bk of Mid East	6.50	Investec Bank (UK) Ltd	6.50		
●Brown Shipley & Co Ltd	6.50	Julian Hodge Bank	6.50		
Citibank NA	6.50	●Leopold Joseph & Sons	6.50		
Clydesdale Bank	6.50	Lloyds Bank	6.50		
The Co-operative Bank	6.50	Midland Bank	6.50		
Coutts & Co	6.50	NatWestminster	6.50		
Cyprus Popular Bank	6.50	●Rea Brothers	6.50		
		Royal Bk of Scotland	6.50		

● Members of London Investment Banking Association
* In administration

COMMODITIES AND AGRICULTURE

Shortfall forces Bulgaria to import wheat

By Kerin Hope and Theodor Troev

Bulgaria will have to import about 1m tonnes of wheat to cover a shortfall caused by this year's disappointing harvest and worsening structural problems in the farming sector.

The pro-market government elected three months ago has raised prices paid to farmers and has introduced a new 15 per cent tax on exports to prevent a repetition of substantial illegal wheat exports last year.

Mr Ventsislav Vurbanov, agriculture minister, said the wheat harvest was projected at 2.4m tonnes against 1.8m tonnes last year. This compares with average harvests of about 5m tonnes before Bulgaria's collective farms were broken up with the demise of communism.

Hailstorms and torrential rains last month damaged about 32,000 hectares planted with wheat, Mr Vurbanov said. Yields in north-western Bulgaria, the worst-hit area, were expected to fall by more than 25 per cent.

The floor price paid to farmers has been set at $133 a tonne. Government officials said that farmers sold wheat last year for an average $80 a tonne following a campaign by Bulgarian middlemen to intimidate small producers.

The middlemen were employed by several shadowy Bulgarian holding groups which "smuggled large quantities of wheat abroad that was sold at almost double the purchase price," one official said.

In an effort to cover the shortfall, the cash-strapped Socialist government last winter resorted to barter deals, in one case exchanging wheat for petroleum products from Neftochim, the state oil refining group.

The pro-market government has tightened controls on local police and customs operations in order to discourage further bullying of producers. Farmers this year increased acreage for wheat by 20 per cent at the autumn sowing, but lack of funds to buy fertiliser and cold weather have depleted the crop.

"Because of last season's poor prices and the sharp decline of the lev [the Bulgarian currency] at the start of the year, producers had little cash for inputs," said an agricultural credit official. "Costs soared after the autumn planting, while aid money arrived too late to be of much use for this harvest."

Under communism, Bulgaria was self-sufficient in wheat production and exported small quantities to other eastern European countries. Wheat output increased rapidly in the 1980s, peaking at 5.4m tonnes in 1989.

But the break-up of collectivised farms into small units which were transferred to pre-communist landowners and their descendants has sharply reduced output. Many new owners of land live in urban areas and are not interested in cultivating their holdings.

In many parts of Bulgaria, subsistence farming has become the rule and if they have spare acreage, small producers prefer to grow better-paying crops such as tobacco rather than cereals.

Crop yields have also been affected by reduced use of mineral fertiliser and pesticides, which small private producers cannot afford to buy.

Slide in price of gold halted

MARKETS REPORT

Gold arrested its decline yesterday amid selling of short positions taken out before the US Independence Day holiday last Friday.

The metal's afternoon fix of $327.80 a troy ounce was $9.80 up on yesterday.

Many decided to take profits on positions taken out before the price was driven down by the Australian Federal Reserve bank's announcement on Thursday that it had sold two-thirds of its gold reserves in the past six months.

Mr Andy Smith, precious metals analyst for UBS, said: "There was such a huge move to the short side before Independence Day and not all of those short positions can be convinced that gold's demise is imminent. They are cashing their chips in, causing some rallying in the price."

The nickel price firmed after early losses on news that the 1,400 workers at Falconbridge's mine in Sudbury, Ontario had voted to give their union a strike mandate to use in contract negotiations with the company.

Nickel closed at $6,750 per tonne, down $12.50 on the day.

A report by the International Energy Agency which suggested oil stocks would rise sharply unless production by Opec countries fell, failed to move the price of Brent crude dramatically. For August delivery it closed up 11 cents at $18.30.

One analyst said the report consistently underestimated demand and overstated Opec supply. "The IEA has tended to have a very bullish outlook," he said. "I don't think the market pays too much attention to it. All this [report] is giving us is the current state of fundamentals."

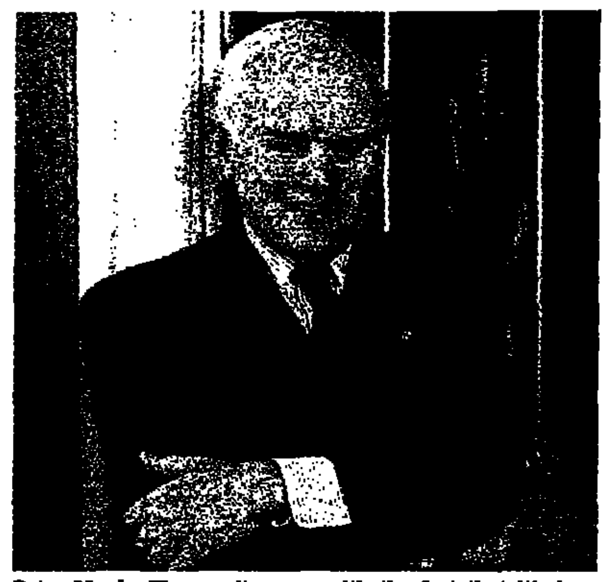
Copper lost ground to finish down $36 at $2,505.50 a tonne, as a large shipment of the metal arrived in Singapore.

"That is the second day in a row that we have had a fairly substantial increase in stocks and it looks as if people are a little bit nervous about future shipments from China," said Ms Helen Williamson, a metals analyst for Brandeis Brokers. "It's not looking so good and perhaps technically the next major support level is around $2,355-$2,365."

Barrick Gold chief says market turbulence could last for a year

Munk eyes opportunities

By Bernard Simon in Toronto



Peter Munk: 'You can't argue with the fact that it's been around since Cleopatra'

Growing demand for gold in China, India, Turkey and other emerging markets will more than offset its diminishing role in the international monetary system, according to Mr Peter Munk, chairman of Canada's Barrick Gold.

However, Mr Munk predicted that recent turbulence in the gold market could continue for up to a year as uncertainty persisted over plans by central banks to reduce bullion holdings.

The gold price edged up slightly yesterday to $320.90 at the afternoon fix in London, from $318 on Monday. But the price remains well below the 1997 peak of $363, reached in February.

The latest fall was triggered by news that the Reserve Bank of Australia unloaded 167 tonnes of gold, or two-thirds of its gold reserves, over the past six months.

But Mr Munk said the market was unsettled more by uncertainty over central bank plans than by actual sales.

"Despite European dishoarding, the market for gold has gone up spectacularly over the past decade," he said in an interview. "You can't argue with the fact that it's been around since Cleopatra."

Mr Munk was in New York yesterday assuring analysts and shareholders the looming shake-out in the gold mining industry would present lucrative opportunities for Barrick and a handful of other strong producers.

He predicted supply would steadily contract as financing dried up for junior producers and exploration companies. "Even half-good mines will not be financeable," he said.

South African and Russian producers would be most vulnerable. "Weak ones will be wiped out, and marginal producers will be absorbed by strong producers."

South Africa's Randgold said earlier this week that its Benoni mine would cease operations "as soon as possible" following the latest gold price slide.

According to Mr Munk, "companies which have a couple of billion dollars in unused facilities and who are the lowest cost producers will be in a position to make acquisitions, in a market that needs rationalisation."

Barrick, which operates mines in the US, Canada and Chile, is widely viewed as one of the best-placed producers. It has hedged its entire production for the next three years at an average price of $420 an ounce.

Mr Munk said Barrick could realise a price of $360-365 for a decade or more, even if the market price slides to $280. This could be achieved by rolling over some of its existing hedging contracts before they mature.

"You've got to keep your eyes on the time when commodity prices collapse," he said. "For us, this is opportunity time."

COMMODITIES NEWS DIGEST

Australia's RGC in $37m Peru buy

RGC, the Australian mining group, plans to spend up to US$37m to buy the Cerro Corona copper-gold project in northern Peru. It announced yesterday it had reached terms for the purchase, subject to due diligence and a confirmatory drilling programme, expected to be completed early next year.

The deposit is located at an altitude of 3,500m in the Andes mountains, 600km north of Lima. The region hosts important metals mines, including the Yanacocha gold operation.

Previous drilling at Cerro Corona identified a resource containing 11,016 tonnes of measured and indicated oxide ore, grading 0.972 grammes a tonne of gold and 0.098 per cent copper; plus 233,167 tonnes of sulphide ore, grading 0.559 grammes a tonne of gold and 0.337 per cent copper.

RGC directors said their development plan for the project envisaged annual average production of about 52,000 tonnes of copper in concentrate and 230,000 oz of gold in concentrate. RGC estimates a mine life of 12 years.

Bruce Jacques, Sydney

■ OIL STOCKS

IEA sees substantial rises

Projections of world oil demand, and of supply from outside the Organisation of Petroleum Exporting Countries, for the rest of 1997 suggest there will be substantial rises in oil stocks – unless Opec's crude oil output falls significantly, the International Energy Agency said yesterday.

Despite world oil supply outstripping demand over the past three months, an expected stock build-up failed to take place, the IEA said in its monthly oil market report. It appears to have been put off to the second half of the year, when aggregate inventories could well rise above 1996 levels.

Total OECD stocks increased by an estimated 74m barrels in the year to June 1997, offsetting much of the 81m-barrel fall between June 1995 and June 1996. The IEA also said the US consumed more oil than expected in the spring, helping to halt a dramatic slide in crude prices. But, with inventories on the rise and Iraq close to resuming exports, the reprieve would be brief.

The IEA revised upwards its forecast of 1997 world oil demand by 100,000 b/d to 73.8m b/d, mainly because of surprisingly strong growth in US consumption.

Futures in Brent blend crude oil, the market bellwether, tumbled 30 per cent on London's International Petroleum Exchange, to a 13-month low of $17.82 a barrel in mid-June, before bouncing back to nearly $19 in early July.

Provided that Iraq returns to the market as expected under the terms of a UN oil-for-food accord, and that supply from outside the Opec continues to grow, prices will come under further pressure as storage tanks fill.

The absence of Iraqi exports in June cut OPEC output by 580,000 b/d to 26.4m b/d – still well above the IEA's estimate of 25.7m b/d for average demand in 1997 for the cartel's barrels. Once Iraqi production returns to normal, expected later this month or in early August, the pace of the stock building will increase and could push world oil prices into a new lower range, analysts said.

Reuter, London

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1539-40	1568-9
Previous	1565.5-6.5	1593-94
High/low		1583/1565
AM Official	1545-45.5	1571-72
Kerb close		1565-6
Open int.	261,410	
Total daily turnover	81,191	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1402-7	1432-4
Previous	1400-10	1430-35
High/low		1437/1432
AM Official	1405-10	1432-35
Kerb close		1430-35
Open int.	5,646	
Total daily turnover	1,419	

■ LEAD ($ per tonne)

Close	635.5-6.5	648.5-9.5
Previous	645.5-46.5	656-57
High/low		654/649
AM Official	638-38.5	651-51.5
Kerb close		649-50
Open int.	36,300	
Total daily turnover	8,765	

■ NICKEL ($ per tonne)

Close	6745-55	6860-70
Previous	6760-65	6875-80
High/low		6930/6840
AM Official	6715-25	6830-35
Kerb close		6830-40
Open int.	52,087	
Total daily turnover	24,910	

■ TIN ($ per tonne)

Close	5470-80	5525-30
Previous	5510-20	5560-70
High/low		5540/5530
AM Official	5485-90	5535-40
Kerb close		5535-45
Open int.	13,798	
Total daily turnover	3,005	

■ ZINC, special high grade ($ per tonne)

Close	1436.5-7.5	1449-50
Previous	1450-51	1463-64
High/low	1442	1463/1456
AM Official	1441-42	1453-54
Kerb close		1459-60
Open int.	99,985	
Total daily turnover	34,471	

■ COPPER, grade A ($ per tonne)

Close	2504-7	2370-71
Previous	2540-43	2401-02
High/low	2527/2525	2385/2360
AM Official	2526.5-27.5	2382-83
Kerb close		2386-8
Open int.	154,046	
Total daily turnover	60,095	

■ LME AM Official £/$ rate: 1.6933
LME Closing £/$ rate: 1.6865

Spot: 1.6885 3 mths: 1.6833 6 mths: 1.6771 9 mths: 1.6718

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	107.40	-4.15	111.80	107.30	622	6,432
Aug	105.50	-4.50	110.40	105.40	110	3,716
Sep	105.05	-4.50	110.10	104.60	4,172	24,051
Oct	103.55	-4.30	108.00	104.00	50	1,294
Nov	103.15	-4.40	107.80	102.30	13	1,215
Dec	102.80	-3.90	107.10	102.70	378	6,324
Total					5,361	46,587

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	320.70-321.20		
Opening	317.60-318.00		
Morning fix	317.60	187.818	465.082
Afternoon fix	320.80	189.935	469.491
Day's High	322.40-322.70		
Day's Low	317.40-317.80		
Previous close	318.70-319.20		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.69	6 months	3.72
2 months	3.70	12 months	3.84
3 months	3.70		

Silver Fix	p/troy oz.	US cts equiv.
Spot	250.90	425.00
3 months	254.35	429.60
6 months	258.25	434.65
1 year	266.05	444.80

Gold Coins	$ price	£ equiv.
Krugerrand	318-320	188-200
Maple Leaf	-	-
New Sovereign	74-77	44-46

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	320.2	+2.1	-	-	56,992	-
Aug	321.0	+2.0	323.4	318.1	56,992	113.9k
Oct	322.8	+1.7	325.5	320.5	2,916	10,080
Dec	324.6	+1.6	327.5	322.4	6,013	33,881
Feb	327.0	+1.6	329.5	324.4	378	9,375
Apr	329.1	+1.6	330.1	330.1	30	4,862
Total					67,932	213,421

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jul	403.5	-3.2	408.0	404.3	103	1,057
Oct	386.5	-6.2	394.0	386.5	2,471	10,703
Jan	381.5	-6.2	389.0	382.0	30	1,855
Apr	381.5	-6.2	388.0	388.0	2	143
Total					2,613	13,758

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Sep	163.75	-6.00	166.50	163.75	428	5,356
Dec	158.75	-5.00	160.00	158.00	42	745
Jun	158.25	-5.00	-	-	-	105
Total					470	6,206

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Jul	430.0	+5.1	435.0	424.5	239	397
Sep	433.5	+5.0	438.0	417.5	36,321	63,723
Dec	439.8	+4.8	444.5	432.0	2,968	14,696
Jan	441.6	+4.8	-	-	-	18
Mar	446.0	+4.8	448.5	438.0	355	9,428
May	449.9	+4.8	457.0	448.0	15	2,863
Total					39,986	97,729

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	19.71	+0.19	19.78	19.45	33,990	87,230
Sep	19.80	+0.17	19.89	19.56	20,023	49,772
Oct	19.84	+0.13	19.88	19.65	9,011	33,358
Nov	19.80	-0.12	19.90	19.71	1,214	19,602
Dec	19.90	+0.09	19.92	19.75	3,432	42,535
Jan	19.94	+0.10	19.94	19.84	2,136	20,159
Total					72,371	480,593

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	18.30	+0.11	18.37	18.08	12,201	55,791
Sep	18.42	+0.12	18.45	18.18	8,178	57,133
Oct	18.43	-0.02	18.48	18.36	1,137	15,988
Nov	18.56	-0.02	18.63	18.48	419	9,914
Dec	18.68	-	18.74	18.57	396	15,715
Jan	18.69	-0.01	18.70	18.68	320	10,545
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	53.40	+0.62	53.40	52.65	9,299	42,313
Sep	53.90	+0.45	53.90	53.35	2,174	22,114
Oct	54.80	+0.50	54.80	54.30	1,488	18,507
Nov	55.65	+0.45	55.65	55.20	1,757	14,656
Dec	56.55	+0.50	56.55	56.10	1,234	14,826
Jan	56.85	+0.30	57.00	56.55	704	13,118
Total					17,450	146,462

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	162.75	+1.50	163.75	162.50	7,598	10,347
Aug	163.50	+1.25	164.50	163.25	6,071	21,352
Sep	165.50	+1.00	166.25	165.25	863	6,926
Oct	168.00	+0.75	168.25	167.50	242	7,443
Nov	170.00	+0.75	170.25	169.75	319	4,778
Dec	171.50	+0.75	171.75	171.50	421	9,989
Total					15,853	74,400

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	2.125	+0.057	2.130	2.051	12,078	41,941
Sep	2.140	+0.058	2.140	2.070	2,371	21,492
Oct	2.140	+0.040	2.140	2.085	1,403	23,685
Nov	2.270	+0.038	2.270	2.220	935	11,312
Dec	2.405	+0.033	2.405	2.385	645	14,804
Jan	2.480	+0.068	2.445	2.400	1,030	14,639
Total					20,893	208,413

■ UNLEADED GASOLINE
NYMEX (42,000 US galls., c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	58.80	+0.86	58.90	57.80	8,999	36,952
Sep	57.80	+0.59	57.85	57.15	2,624	11,684
Oct	56.45	+0.49	56.45	56.10	414	7,619
Nov	55.70	+0.40	55.70	55.40	127	2,493
Dec	55.60	+0.58	55.60	55.15	141	5,658
Jan	55.55	+0.28	55.60	55.30	105	3,764
Total					13,430	72,898

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	79.00	-1.40	-	-	-	198
Sep	81.25	-0.90	81.50	81.50	5	227
Nov	83.25	-0.90	83.50	83.15	125	3,730
Jan	85.25	-0.90	85.50	85.15	58	1,967
Mar	87.25	-0.90	87.50	87.00	36	983
May	89.25	-0.90	89.50	89.00	31	578
Total					249	7,694

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Jul	316.50	+3	319.50	313.00	1,817	3,516
Sep	324.75	+3	328.50	321.00	9,579	41,265
Dec	339.00	+3.75	342.25	334.75	4,803	32,335
Mar	348.00	+3.75	350.00	345.00	1,255	5,315
May	349.00	+3.5	351.50	348.50	191	578
Jul	346.75	+1.75	350.00	345.00	242	2,913
Total					17,888	86,943

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Jul	243.25	+2.75	246.50	240.00	9,401	19,966
Sep	229.75	+0.5	234.00	228.25	14,092	62,199
Dec	229.75	+0.5	235.00	228.75	41,427	149,823
Mar	238.00	+0.5	243.00	237.25	3,564	25,388
May	243.50	-	248.50	243.50	1,137	3,824
Jul	247.50	+0.5	251.75	246.50	1,293	8,036
Total					71,718	274,259

■ BARLEY LIFFE (100 tonnes; £ per tonne)

Sep	77.50	-0.25	-	-	-	32
Nov	79.50	-0.75	79.60	79.25	25	1,111
Jan	81.50	-0.75	81.25	81.25	10	-
Mar	83.50	-0.75	83.60	83.60	1	-
May	84.75	-0.85	-	-	-	9
Total					36	1,358

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jul	768.00	+35.25	769.00	732.75	3,813	7,232
Aug	722.00	+25	726.00	698.00	15,743	33,713
Sep	628.50	+14	635.00	614.50	1,885	12,801
Nov	583.75	+8.5	602.50	585.50	26,824	69,517
Jan	597.75	+9.25	605.00	587.00	2,583	12,912
Mar	607.25	+9.75	612.50	597.00	823	3,244
Total					52,380	144,346

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Jul	22.15	+0.31	22.15	22.00	1,482	3,411
Aug	22.22	+0.26	22.25	21.85	5,560	26,386
Sep	22.34	+0.24	22.36	22.10	824	14,165
Oct	22.36	+0.26	22.40	22.20	1,399	15,916
Dec	22.41	+0.28	22.44	22.06	3,829	42,319
Jan	22.51	+0.31	22.57	22.48	85	4,728
Total					14,112	112,673

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Jul	251.5	+9	252.0	242.4	3,617	8,535
Aug	233.8	+7.4	235.9	226.5	8,881	25,232
Sep	213.9	+5.2	216.0	209.0	2,726	17,155
Oct	199.5	+2.8	202.5	198.5	2,318	14,785
Dec	191.8	+2.9	194.8	190.5	5,537	36,713
Jan	190.8	+2.3	193.5	188.5	559	4,201
Total					25,222	118,758

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Mar	54.5	+1.5	-	-	-	-
Apr	64.5	+1.5	64.5	64.0	47	859
May	74.5	+1.5	-	-	-	2
Jan	84.5	+1.5	-	-	-	-
Total					47	678

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Jul	1329	+19	1330	1322	45	1,251
Aug	1255	+5	1260	1255	53	610
Oct	1420	+5	1420	1415	77	953
Jan	1425	-	1425	1425	11	132
Total					163	3,088

	Close	Prev
BFI	1364	1349

FUTURES DATA
All futures data supplied by CMS.

Minor metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). **Antimony:** 99.65%, $ per tonne, 1,970-2,050 (1,980-2,080). **Bismuth:** min. 99.99%, tonne lots 3.68-3.85 (3.70-3.85). **Cadmium:** min. 99.95%, cents a pound, 50.00-60.00. **Cobalt:** MB free market, min. 99.8%, 22.00-23.50; min. 99.3%, 19.00-19.80 (18.85-19.60). **Mercury:** min. 99.99%, $ per 76 lb flask, 150-160. **Molybdenum:** drummed molybdic oxide, 4.50-4.60. **Selenium:** min 99.5%, 1.90-2.90. **Tungsten ore:** standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 45-55. **Vanadium:** min. 98%, CIF, 3.90-3.98 (3.90-3.95). **Uranium:** Nuexco unrestricted exchange value, 9.70 (10.00).

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1027	+6	1018	1010	26	1,298
Sep	1043	+5	1045	1024	1,570	30,295
Dec	1064	+4	1067	1044	536	36,094
Mar	1081	+4	1080	1063	389	45,152
May	1094	+5	1079	1077	19	19,268
Jul	1106	+4	1100	1092	25	5,604
Total					1,867	163,429

■ COCOA CSCE (10 tonnes; $/tonnes)

Jul	1556	+20	1545	1495	14	62
Sep	1578	+20	1588	1545	4,429	33,579
Dec	1627	+17	1637	1599	926	22,016
Mar	1658	+20	1665	1630	91	21,781
May	1678	+20	1658	1657	87	10,043
Jul	1698	+20	1675	1675	178	1,148
Total					5,582	102,170

■ COCOA (ICCO) (SDR's/tonne)

Jul 7	Price	Prev. day
Daily	1212.80	1214.89

■ COFFEE LIFFE (5 tonnes; $/tonne)

Jul	1765	+5	1800	1747	221	1,648
Sep	1785	+8	1822	1762	2,235	24,411
Nov	1765	+5	1800	1750	744	12,637
Jan	1730	+5	1745	1715	359	4,148
Mar	1700	-	1712	1698	75	670
May	1690	+5	-	-	-	45
Total					2,987	43,559

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Jul	191.50	+8.25	191.50	187.00	108	550
Sep	171.65	+5.95	173.00	165.00	3,200	10,932
Dec	155.35	+3.50	157.00	151.75	1,395	5,105
Mar	146.75	+3.00	148.00	144.50	198	2,420
May	142.75	+2.25	143.00	142.50	20	918
Jul	140.75	+2.50	-	136.50	20	281
Total					4,909	20,419

■ COFFEE (ICO) (US cents/pound)

Jul 7		Prev. day
Comp. daily	136.00	-
15 day average	143.35	-

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

Aug	319.1	-	319.4	318.0	2,883	8,291
Oct	314.5	-1.0	315.2	314.1	667	8,352
Dec	313.5	-0.9	314.0	313.3	127	4,294
Mar	315.4	-0.2	316.2	315.4	138	4,313
May	315.1	-0.4	314.0	314.0	-	956
Aug	312.8	-0.3	315.0	314.5	10	846
Total					2,681	27,862

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Oct	11.06	-	11.12	11.05	5,983	93,812
Mar	11.21	-	11.26	11.20	2,063	42,047
May	11.11	+0.01	11.14	11.11	531	9,880
Jul	11.03	+0.01	11.05	11.02	109	4,286
Oct	10.94	+0.01	10.98	10.95	33	1,245
Mar	10.91	+0.01	10.95	10.95	32	684
Total					8,881	151,896

■ COTTON NYCE (50,000lbs; cents/lbs)

Jul	71.15	+0.15	71.50	71.00	78	98
Oct	73.70	+0.46	74.20	73.30	3,010	11,564
Dec	74.16	+0.41	74.60	73.80	30,161	43,618
Mar	75.43	+0.43	75.80	75.10	3,559	7,797
May	76.15	+0.40	76.51	75.90	750	1,788
Jul	76.55	+0.25	76.60	76.50	230	1,097
Total					38,433	70,408

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jul	74.55	-0.50	75.50	74.00	165	599
Sep	75.25	-1.10	76.35	74.40	1,645	19,638
Nov	78.10	-1.05	79.15	77.50	423	6,524
Jan	80.90	-1.15	82.10	80.60	106	2,580
Mar	83.80	-1.20	85.00	83.50	17	1,642
May	86.70	-1.10	87.70	86.75	-	320
Total					2,369	31,347

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jul 8	Jul 7	month ago	year ago
1897.3	1908.6	2015.8	1998.3

■ CRB Futures (Base: 1967 = 100)

Jul 7	Jul 3	month ago	year ago
232.22	235.57		

■ GSCI Spot (Base: 1970 = 100)

Jul 7	Jul 3	month ago	year ago
181.15	185.32	189.80	207.57

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-3,150	to	659,570
Aluminium alloy	-240	to	58,140
Copper	+2,250	to	133,350
Lead	-75	to	117,125
Nickel	+44	to	68,388
Zinc	-325	to	419,800
Tin	-65	to	11,950

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	62.925	-0.600	63.400	62.800	6,354	41,624
Oct	66.875	-0.250	67.075	66.600	1,878	25,191
Dec	69.775	-0.275	69.975	69.525	874	14,937
Feb	71.750	-	71.850	71.425	354	6,804
Apr	73.725	-0.025	73.750	73.450	168	3,297
Jun	69.900	-0.125	70.150	69.900	65	2,126
Total					9,702	94,041

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Jul	83.050	-0.150	83.250	82.700	2,490	5,173
Aug	79.850	-0.250	80.425	79.575	4,808	13,401
Oct	73.425	+0.325	73.650	72.650	1,707	8,852
Dec	70.000	-0.250	70.000	69.700	691	4,532
Feb	68.825	+0.050	68.850	68.650	191	1,719
Apr	64.575	+0.050	64.600	64.400	28	1,123
Total					10,007	38,868

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Jul	78.725	-0.450	80.250	77.800	635	1,129
Aug	78.500	+0.075	79.800	77.500	1,527	4,286
Feb	70.350	+0.575	71.000	69.500	142	732
Mar	69.900	+0.900	69.700	68.900	8	17
Jul	73.500	-	-	-	3	5
Total					2,908	6,178

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Aug	Nov	Aug	Nov
1500	57	96	13	33
1600	28	68	33	53
1700	11	45	66	80
■ COPPER (Grade A) LME	**Aug**	**Nov**	**Aug**	**Nov**
2200	142	129	13	72
2300	73	81	43	122
2400	30	47	98	186
■ COFFEE LIFFE	**Jul**	**Sep**	**Jul**	**Sep**
n/a				
n/a				
n/a				
■ COCOA LIFFE	**Jul**	**Sep**	**Jul**	**Sep**
n/a				
n/a				
n/a				
■ BRENT CRUDE IPE	**Aug**	**Sep**	**Aug**	**Sep**
1750	-	-	4	34
1800	-	88	-	52
1850	10	58	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$16.96-7.16	+0.225
Brent Blend (dated)	$18.39-8.41	+0.34
Brent Blend (Aug)	$18.30-8.32	+0.33
W.T.I.	$19.68-9.70w	+0.36

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$193-195	+2
Gas Oil	$164-165	+2
Heavy Fuel Oil	$79-81	
Naphtha	$172-174	
Jet fuel	$178-180	+1.5
Diesel	$166-167	+2

■ NATURAL GAS (Pence/therm)

Bacton (Aug)	9.20-9.40	-0.025

Petroleum Argus. Tel. London (0171) 359 8792

IPE (Aug)	9.270	-0.18

■ OTHER

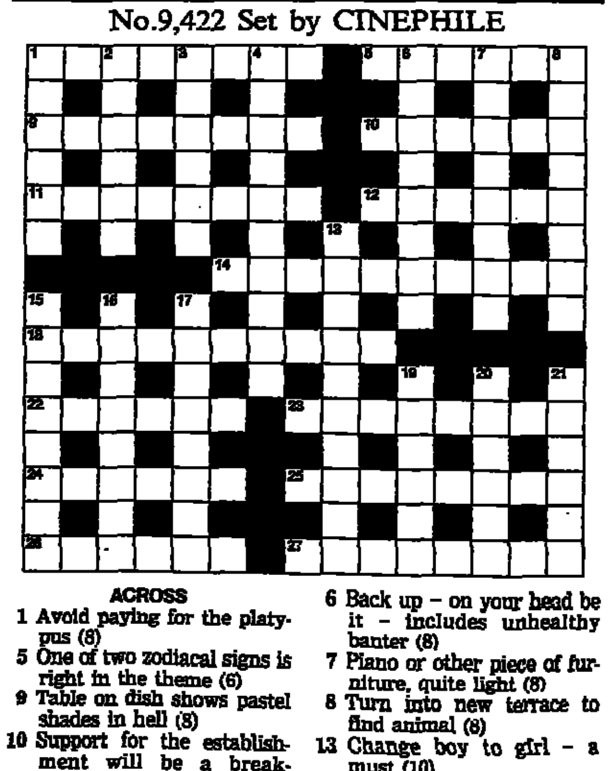
Gold (per troy oz)‡	$320.95	+2.00
Silver (per troy oz)‡	435.00c	-13
Platinum (per troy oz.)	$409.00	
Palladium (per troy oz.)	$176.00	-4.00
Copper	116.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	13.76r	+0.01
Tin (New York)	258.5	-2.00
Cattle (live weight)	100.17p	+5.79*
Sheep (live weight)	118.91p	+2.46*
Pigs (live weight)†	90.77p	-2.26*
Lon. day sugar (raw)	$265.10	+4.00
Lon. day sugar (wte)	$323.00	-2.60
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£108.00	
Wheat (US Dark North)	Unq	
Rubber (Aug)♥	58.50p	
Rubber (Sep)♥	58.50p	
Rubber (KL RSS No1)	236.0x	-6.00
Coconut Oil (Phil)§	607.5y	-12.5
Palm Oil (Malay.)§	510.0w	+10.0
Copra (Phil)§	$410.0y	-5.0
Soyabeans (US)	185.0	
Cotton Outlook'A' index	80.80c	
Wooltops (64s Super)	421p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Aug. w Jul. ♥London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 4,637 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,422 Set by CINEPHILE



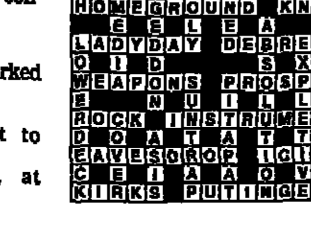
ACROSS

1 Avoid paying for the platypus (8)
5 One of two zodiacal signs is right in the theme (6)
9 Table on dish shows pastel shades in hell (8)
10 Support for the establishment will be a breakthrough (6)
11 Poet with a fondness for tat? (8)
12 In industrial buildings one must be flexible (6)
14 One who steals pets? (3,7)
18 Party with the Great British Isles copper: Italian food for friend? (3,7)
22 All square without love game (6)
23 Reasonably good piece of theatre? (4,4)
24 A service for a model Palestinian (6)
25 Smart cow contrived to show lawn's aerated (8)
26 Beheaded having made a will: this is what's left (6)
27 Agreeable way to see confrontation? (3,2,3)

DOWN

1 Small date (fruit) marked with spots (6)
2 Separate stick (6)
3 Only just born, first to trust (6)
4 Remain, with luck, at saloon? (4,6)
6 Back up – on your head be it – includes unhealthy banter (8)
7 Piano or other piece of furniture, quite light (8)
8 Turn into new terrace to find animal (8)
13 Change boy to girl – a must (10)
15 An assignation including half the actors' union is enough (8)
16 I say Yes, perhaps, circumscribing No and Don't Know? (8)
17 Princess's characteristic to be unable to concentrate? (8)
19 Ready on one side? (6)
20 In the isle a zero rating shows corruption (6)
21 Raise endeavour in tree or shrub (6)

Solution 9,421



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Offshore Funds

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

Offshore Funds and Insurances

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BAII Asset Management Ltd

10 Piccadilly, London W1V 0EE 0171 734 3700

	Selling Price	+or-	Yield Gr's
Investmentor NAV Jun 13 F	$604.40	+5.04	-
Interportfolio Fund			
Convertible (US$) Jun 16	$759.40	—	-
Convertible (FF) Jun 16 F	FFr[illegible]	—	-
Comfort (US$)	$538.23	—	-

Bank Von Ernst & Cie AG

0041 313291111

	Selling Price	+or-	Yield Gr's
UK Equity	£17.26	-0.03	-
US Smaller Co's Eqty	£[illegible]	-0.05	-
N/W American Equity	$17.23	-0.08	-
US Smaller Co's Eqty	$[illegible]	+0.06	-
Pacific Basin Equity	$16.01	-0.16	-
Japanese Equity	Y577	+1	-
European Equity	DM[illegible]	+0.14	-
Swiss Equity	SFr17.14	+0.29	-
Sterling Fixed Int	£15.84	+0.01	-
Sterling Fixed Int Dtr	£10.83	+0.01	-
European Fixed Int	DM13.74	—	-
European Fixed Int Dtr	DM8.42	—	-
DM Bond Cap	DM[illegible]	+0.01	-
DM Short Term Cap	DM[illegible]	-	-
Global Equity	$15.56	+0.02	-

GT Global

(44 171 710 4567 London (852) 2847 7200 Hong Kong

	Selling Price	Buying Price	+or-	Yield Gr's
GT Europe A	[illegible]	37.80	+0.54	0.00
GT Europe A	[illegible]	51.88	+0.32	0.00
GT Europe B	[illegible]		+0.55	0.00
GT Europe B	[illegible]		+0.35	0.00
GT Investment A	[illegible]	40.25	+0.07	0.00
GT Investment A	[illegible]	23.79	-0.04	0.00
GT Investment B	$38.35		+0.07	0.00
GT Investment B	£22.85		+0.04	0.00
GT US Small Cos A	[illegible]	38.38	-0.24	0.00
GT US Small Cos A	£21.85	22.78	-0.14	0.00
GT US Small Cos B	[illegible]		-0.24	0.00
GT US Small Cos B	£21.77		-0.14	0.00

HSBC Investment Funds Luxembourg SA (u)

Proton Asset Management S.A.

	Selling Price	+or-
ECU Cash	Ecu7804.37	—
USD Cash	$8187.85	—
Swiss Franc Cash	SFr5380.81	—
Pound Sterling Cash	£1083 10	—
Intl Bond ECU	Ecu8571.82	—
Intl Bond USD	$8474.11	—

Rothschild Asset Management

	Selling Price	+or-
Japan Recovery	$11.5382	—
Asian Opportunities	$21.1382	—
Japan Small Cos	$8.1005	—
Asian Smaller Cos	$9.4182	—
Latin American Opportunities	$11.7430	—
India	$11.3815	—
Global Emerging Markets	$10.8135	—

S-E-Banken Luxembourg SA

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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[illegible]

OTHER OFFSHORE FUNDS

[illegible]

[illegible]

Xeryus Fund Management Ltd				
Xeryus Portfolio	$1000	—	—	
Xiphias International Investment Fd Ltd				
Xiphias Global Growth	$11.50	—	—	
Xiphias Intl ECU Acc	Ecu1.7526	—	—	
Zenett Lombardier Ltd				
NAV May 31	$232.32	—	—	
Zulauf Investment Management AG				
European Focus Jun 30	[illegible]	—	—	
Zweig–DiMenna International Limited				
NAV Jun 30	$17178	—	—	

● MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland/Irish Department of Enterprise and Employment
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
OEIC - Open Ended Investment Company.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(⊕) 0001 to 1100 hours.
(#) 1101 to 1400 hours.
(◊) 1401 to 1700 hours.
(▲) 1701 to midnight.
E Exit charge on sale of units.
C Manager's periodic charge deducted from capital.
H Historic pricing F - Forward pricing
h Distribution free of UK taxes.
p Periodic premium insurance plans.
s Single premium insurance.
■ Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x Offered price includes all expenses except agent's commission.
‡ Previous day's price.
⊕ Guernsey gross.
♦ Yield before Jersey tax.
† Ex-subdivision. xd - Ex-dividend.
‡ Only available to charitable bodies.
Φ Yield column shows annualised rates of NAV increase.

The fund prices published in this edition are also available at the Financial Times' web site, http://www.FT.com

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

ENGINEERING, VEHICLES

[illegible]

HEALTH CARE - Cont.

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INSURANCE - Cont.

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

مكتبة الأصل

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£28¼	—	*£28¼	£20¼	2,011	2.7	ɸ
Barlow	♣†	£8½	-⅛	£7⅜	£5¼	1,322	2.2	13.9
Gold Flds Prop R	†	171½	-1½	188½	120	17.5	4.9	13.5
SA Brews		£17½	-⅜	£19⅝	£13¾	5,288	2.1	ɸ
Standard Bank		£28	-⅛	£30	£21	3,368	1.9	ɸ
Tiger Oats	†	1012xd	-3	1100	770	1,529	1.8	19.9
Tongaat-Hulett		728xd	-3	813	676¼	708.9	2.5	ɸ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ɸ Figures or report awaited
- ♥ Rule 21(4)(a) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates
W Pro forma figures
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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LONDON STOCK EXCHANGE

Rate rise nerves weaken market confidence

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The London equity market's pre- and post-budget confidence was attacked on a number of fronts yesterday.

Sterling continued its upward move on the prospects of a rate rise on Thursday, following the Monetary Policy Committee meeting. Adding to the general discomfort in the market was a sharp sell-off in Woolwich shares, which threatened to dip below the 300p mark, having traded in excess of 370p on Monday, the stock's debut day.

"A 20 per cent slide in a demutualisation stock on its second trading day has done nothing for the small investors' confidence," said a salesman at one big broker.

The FTSE 100 index, which had ended Budget week sitting proudly above the 4,800 level, suffered its third successive decline with selling pressure building up through the session. It closed a hefty 52.2 lower at 4,756.5, having bottomed out at 4,751.9 just before the US markets opened.

The index has now fallen 73.2, or 1.5 per cent, during the last three sessions.

The market's pain was not confined to the leaders either, with the second-liners and small caps given a severe buffeting. The FTSE 250 just hung on to the 4,400 mark, finishing the day a net 26.1 off at 4,400.8, while the FTSE SmallCap index dipped 7.1 to 2,217.3.

Inflation figures for June well in excess of consensus forecasts were said by dealers to have been the main reason for the market's dismal showing.

A headline increase of 0.4 per cent in inflation last month, and a 0.3 per cent increase in the core *figure, turned up the pressure for* a UK interest rate rise tomorrow, when the MPC meeting finishes.

One of the few saving graces for the market was Wall Street's positive opening yesterday, after a worrying end to its previous session.

On Monday, the Dow Jones Industrial Average looked well set to launch an attack on the 8,000 level, getting to within 18 points of that figure before sliding back to finish 37 points lower. Yesterday saw the Dow stand over 50 points higher as London closed.

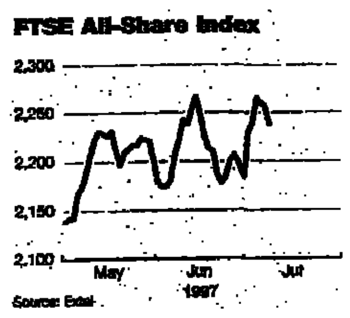
One of the day's features was another spate of currency-inspired profits downgrades *across the market's leaders.* Prominent among these were RMC, Pearson, Reed, Reuters, BT, SmithKline and Zeneca.

More worrying for fund managers was a fresh wave of profit warnings from Dalgety, Molins and Renishaw.

Commenting on the market's sluggish performance, the head of sales at one big European securities house said there were bearish arguments being put forward for all three interest rate scenarios.

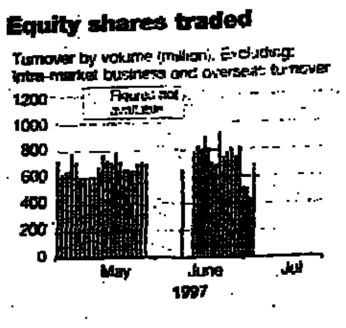
If rates are left unchanged, he said, the MPC would be viewed as lacking teeth in its approach to inflation policy. A rise of 25 basis points, he continued, could *be seen as* not enough to cap emerging inflationary pressures. Finally, a 50 basis points increase might be seen as implying no confidence in the new chancellor.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4758.5	-52.2	FT 30	3024.5	-27.2
FTSE 250	4400.8	-26.1	FTSE Non-Fins p/e	18.84	19.00
FTSE 350	2285.0	-23.0	FTSE 100 Fut Sep	4780.0	-54.0
FTSE All-Share	2236.02	-21.40	10 yr Gilt yield	7.08	7.06
FTSE All-Share yield	3.47	3.44	Long gilt/equity yld ratio	2.04	2.05

Best performing sectors

1 Retailers: Food ....+1.9
2 Textiles & Apparel ....+1.2
3 Oil Exploration ....+0.9
4 Retailers: General ....+0.3
5 Water ....+0.2

Worst performing sectors

1 Electronic & Elec ....-4.4
2 Oil : Integrated ....-2.1
3 Telecommunications ....-1.8
4 Mineral Extraction ....-1.7
5 Banks: Retail ....-1.6

Overseas earners hit

By Martin Brice and Peter John

Exporters suffered a series of downgrades, with engineering-related shares again in the firing line, and Lehman Brothers taking aim this time.

TI Group gave up 19 to close at 456½p after the broker downgraded its forecast for this year from £235m to £228m, although dividend forecasts remain unchanged. Mr Charles Armitage at Lehman said that the company, along with most others in the sector, would suffer from the effect of translating overseas earnings into the strong pound, rather than a decline in sales.

TI generally has domestic manufacturers in its bigger markets. Lehman thinks the shares could reach 530p this year.

IMI lost 14 to 288½p after Lehman took the view that the pound would remain strong into 1998.

The US broker took its profit forecast for next year down from £160m to £149m, a reduction of 7 per cent, and for 1998 from £176m to £164m, also down 7 per cent. Furthermore, Lehman lowered its price target for this year from 440p to 410p.

Nervousness about the ionospheric valuation of the **Woolwich** was reflected by the poor showing at the first auction of shares and a near 10 per cent tumble in the share price.

The average price paid was 315p a share. More significantly, the heaviest bidding was at 305p with 16 bids, representing 28.8m shares.

And even 305p is considered to be well above the range of analysts' fair value calculations, currently 250p-270p. Woolwich slid 33 to 301p and took the rest of the sector down with it.

Abbey National dropped 31 to 845½p despite a recommendation from SBC Warburg. The broker moved its stance from "add" to "buy" on the basis that the shares are now cheap relative to the sector.

Meanwhile, **Alliance & Leicester** was steady at 612½p while **Halifax** dipped 8 to 761½p. And **Royal Bank of Scotland** shed 6½ to 615½p even though Tiger Management, a US hedge fund, has increased its stake from 4 per cent to 5 per cent.

Lasmo rises

Lasmo, the oil exploration and production company, headed the list of Footsie risers as the company highlighted its own vulnerability to takeovers. Lasmo's chief executive warned the chancellor of the exchequer that the abolition in the Budget of foreign income dividends would put at risk "the very independence of Lasmo and all British companies which have had international success". The shares ended 10 stronger at 277½p.

Enterprise, on the other hand, slipped 5½ to 699½p. Merrill Lynch has reiterated its sell stance because of fears over the potential for further oil price weakness and Enterprise's valuation.

Shell Transport dropped 17 to 426½p, partly in reaction to a realisation that since early April the shares had leapt by 30 per cent.

Glaxo Wellcome avoided weakness in the market and sector as investors reacted to a punchy recommendation from JP Morgan.

The shares were up for most of the day and only eased back in the last few minutes of trading to close a penny shy at £13.27½.

The US broker started official coverage of Glaxo with a buy stance and said: "We believe [it] will become a champion of the international pharmaceuticals industry for two reasons: a strong product pipeline and an unparalleled ability to exploit strong research and development and marketing capabilities."

The most notable movement among food stocks was the decline of 39 to 222½p by **Dalgety** after it unveiled its second profits warning in two months and a huge rise in the cost of restructuring its petfood side.

Mr Carl Short at SocGen said: "We are beginning to get to the bottom of things and I would be surprised if we have any more serious problems. The question now is whether the group's value can be optimised by the sale of some of its businesses."

He said while Dalgety is worth about £650m, the pet food side could be worth that amount on its own.

Molins shed 27½ to 471½p after it issued a profits warning, although it plans to maintain the interim dividend at 6.5p. It has discovered "accounting irregularities" in its US side and faces restructuring charges in Brazil.

Among transport stocks, **British Airways** gave up 6 to 673p on continuing fears of the effect of the industrial unrest. Traders estimate the strike is taking about £10m off the company's profits every day, as well as eroding brand loyalty.

Fears over the effect of the strike spread to **BAA** which fell 15 to 564½p ahead of traffic figures due out tomorrow.

Investors are said to be concerned that the company could suffer a drop in traffic if overseas passengers switch from BA flights to overseas airlines and so change planes at foreign rather than UK airports.

Still in transport, **P&O** continued its uneven ride and rose 2½ to 615p after falling a similar amount the day before.

Investors are said to be focusing on the delayed announcement by the UK government of the proposed merger between P&O and Stena, although one trader said: "I think in principle they will allow the thing to go through but working out the detail is taking longer than everyone thought."

Burton Group put on 10½ to 125¼p as analysts applauded its announcement that it would demerge its Debenhams subsidiary and seek a separate listing for the business.

Elsewhere in retailing, the food-related stocks advanced as investors turned away from overseas earnings and put their faith in UK earners that would be largely unaffected by any interest rate rise. Among the gainers were Asda, up 2½ to 137½p; Safeway, up 7½ to 375p; J Sainsbury, up 8½ to 388p; and Tesco, up 8 at 408½p.

Disappointment at the long-awaited results of the strategic review unveiled yesterday by **GEC** led to the shares shedding 24½ to 353p in volume of 21m to make it the most heavily traded FTSE 100 stock. It was also Footsie's worst performer.

The company said it was to move away from a culture based on joint ventures with foreign partners and towards a more focused group, managed internally.

Reuters International fell 12½ to 591½p and **Reed International** 8½ to 575p. **Pearson** drifted 2 to 705½p although there was some support from Panmure Gordon, which pointed out that the stock was at the bottom of a 700p to 800p trading range.

FT 30 INDEX

	Jul 8	Jul 7	Jul 4	Jul 3	Jul 2	Yr ago	*High	*Low
FT 30	3024.5	3051.7	3050.5	3082.0	3056.6	2755.8	3077.4	2668.8
Ord. div. yield	3.64	3.61	3.61	3.58	3.61	4.05	4.22	3.56
P/E ratio net	18.25	18.41	18.41	18.53	18.39	16.30	18.64	15.80
P/E ratio nil	18.06	18.22	18.22	18.34	18.20	16.20	18.45	15.71

FT 30 since compilation: high 3077.4 13/06/97, low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3047.9	3040.0	3041.1	3042.6	3041.5	3031.0	3025.8	3029.0	3027.2	3048.9	3019.9

	Jul 8	Jul 7	Jul 4	Jul 3	Jul 2	Yr ago
SEAQ bargains	51,896	56,382	58,069	58,417	52,454	29,123
Equity turnover (£m)†	-	NA	1643.7	2349.0	1563.5	1623.5
Equity bargains†	-	NA	51,586	46,938	33,251	35,188
Shares traded (ml)†	-	NA	786.4	689.4	416.8	576.0

†Excluding intra-market and overseas turnover but including Crest turnover.

 *For 1997.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	386	Total Highs	80	Total contracts	42,002
Total Falls	1,086	Total Lows	162	Calls	19,706
Same	1,614			Puts	22,296

Jul 8 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4810.0	4773.0	-56.0	4827.0	4764.0	11863	67512
Dec	4865.0	4837.0	-57.0	4889.0	4836.0	716	3464
Mar	4885.0	4878.0	-60.5	4885.0	4885.0	50	1

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		4460.0	-25.0			0	7153

■ FTSE 100 INDEX OPTION (LIFFE) (*4755) £10 per full index point

	4600 C	4600 P	4650 C	4650 P	4700 C	4700 P	4750 C	4750 P	4800 C	4800 P	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P
Jul	179	16	127½	24½	88½	39½	57½	62	34½	91	18½	125	9	164½	3½	208
Aug	205½	54½	168½	67	136½	85	106½	106	81½	131	60	161	43	195	30	232
Sep	246½	74½	208	89	178½	106½	146	127	119½	151½	97½	180	76	209½	60½	245
Oct	275½	86½	241	103½	210½	22	180	141	152	165	129½	192½	108	223	87½	255½
Dec†	341½	110			277	148			215	189½			165½	243½		

Calls 1,873 Puts 3,585

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4575 C	4575 P	4625 C	4625 P	4675 C	4675 P	4725 C	4725 P	4775 C	4775 P	4825 C	4825 P	4875 C	4875 P	4925 C	4925 P
Jul	183	11½	140½	19	103	31	78	48	44½	72½	26½	104	14	141½	6½	184
Aug	221½	47	184½	59	151	75½	120	94½	92½	116½	70	143½	51½	174½	37	209½
Sep	262½	67	226	80	193	96	163	115½	135½	137½	111	162½	89	190	69½	219½
Dec			324	117			158½	150			263	190			153½	238
Mar†			383½	142			328	174			263½	212½			211½	256½

Calls 9,319 Puts 8,331 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	67.2	127½	124½	Ashtenne	126½		W5.0	1.8	4.9	14.2
§150	F.P.	30.5	152½	149½	AIT	150½		L1.38	3.9	1.1	28.3
3	F.P.	2.75	3¼	3¼	†Bakery Services	3¼		-	-	-	20.5
*	F.P.	1.98	26	24	†Euro Mining Fin	24½		-	-	-	-
§2.5	F.P.	3.00	3½	3	Grosmont Hldgs	3		-	-	-	-
§	F.P.	1.20	1	½	Grosmont Hld Wrt	1		-	-	-	-
§120	F.P.	10.1	127½	122½	†Highland Timber	122½	-2	-	-	-	-
290	F.P.	6,205	357½	316½	Norwich Union	322	-4	L10.6	1.8	4.1	16.7
§185	F.P.	119.7	202½	195½	Powderject Pharm	202½		-	-	-	-
§	F.P.	14.1	140½	136½	Primesight	140		-	-	-	14.0
100	F.P.	33.3	112½	99½	Resbourne Merlin	110½		-	-	-	-
§	F.P.	69.4	227	204½	Royalblue Grp	210		1.5	2.6	0.9	53.3
§100	F.P.	7.99	120½	110½	†SBS Group	112½		L2.4	2.0	2.7	19.8
§150	F.P.	117.0	157½	155	SGB Group	156	-½	L4.4	2.8	3.5	12.7
*	F.P.	4,816	373½	300½	Woolwich	301	-33	L7.9	2.1	3.3	18.0

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997 High	1997 Low	Stock	Closing price p	+or-
200	Nil	16/7	24½pm	7½pm	Benchmark Group	15½pm	
2	Nil	21/7	1½pm	¾pm	Dragon Oil	1pm	
20	Nil	28/7	27½pm	2¾pm	Mackie Intl	9pm	
17.5	Nil	22/7	1¼pm	¼pm	Marylebone Wrwk	¾pm	
1	Nil	15/7	½pm	¼pm	Millwall Hldgs	¼pm	
75	Nil	11/7	7½pm	5pm	Waterfall Hldgs	5½pm	

pm premium.

FTSE GOLD MINES INDEX

	Jul 7	% chg on day	Jul 4	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1270.14	-4.9	1335.44	2087.73	2.45	-	2130.83	1270.14
■ Regional indices								
Africa (14)	1330.00	-5.2	1402.79	2794.81	6.59	21.36	2917.88	1330.00
Australasia (6)	1414.42	-6.5	1512.06	2330.68	3.61	16.17	2455.10	1414.42
North America (11)	1244.23	-4.5	1303.25	1855.77	0.84	64.69	1894.08	1244.23

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Jul 8	Day's chge%	Jul 7	Jul 4	Jul 3	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4758.5	-1.1	4810.7	4812.8	4831.7	3752.3	3.43	1.63	17.87	86.95	2030.34
FTSE 250	4400.8	-0.6	4426.9	4453.0	4475.2	4347.7	3.77	1.29	20.57	82.73	1841.01
FTSE 250 ex IT	4396.7	-0.6	4424.1	4451.0	4476.5	4386.6	3.92	1.32	19.39	95.57	1844.63
FTSE 350	2285.0	-1.0	2308.0	2311.8	2320.9	1886.5	3.50	1.56	18.32	42.94	1992.12
FTSE 350 ex IT	2285.1	-1.0	2308.4	2311.6	2321.3	-	3.52	1.57	18.09	10.96	1021.76
FTSE 350 Higher Yield	2231.4	-1.2	2259.1	2265.2	2274.8	1804.3	4.69	1.41	15.11	51.46	1649.03
FTSE 350 Lower Yield	2344.9	-0.8	2363.7	2364.7	2374.2	1975.9	2.49	1.80	22.31	33.86	1672.28
FTSE SmallCap	2217.28	-0.3	2224.38	2226.62	2227.19	2169.78	3.20	1.39	22.51	36.80	1884.90
FTSE SmallCap ex IT	2187.79	-0.4	2196.05	2198.22	2199.38	2171.77	3.46	1.46	19.84	42.80	1875.91
FTSE All-Share	2236.02	-0.9	2257.42	2260.61	2269.36	1869.19	3.47	1.55	18.56	41.91	1978.67
FTSE All-Share ex IT	2235.66	-1.0	2257.59	2260.68	2269.73	-	3.52	1.56	18.19	10.96	1017.59

■ FTSE Actuaries Industry Sectors

	Jul 8	Day's chge%	Jul 7	Jul 4	Jul 3	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4697.40	-1.7	4768.34	4660.51	4699.79	3551.41	3.31	1.61	18.75	85.78	2082.56
12 Extractive Industries(5)	4285.24	-1.1	4270.51	4347.63	4362.56	4218.89	3.73	1.91	14.08	104.80	1291.52
15 Oil, Integrated(3)	4822.13	-2.1	4925.91	4874.73	4914.48	3638.22	3.46	1.56	18.54	90.43	2219.30
16 Oil Exploration & Prod(12)	3805.56	+0.9	3770.79	3790.79	3855.46	2470.30	1.52	1.77	37.09	38.65	2331.96
20 GEN INDUSTRIALS(268)	1842.49	-1.3	1867.44	1872.87	1896.16	2018.87	4.37	1.51	15.13	40.37	1052.07
21 Building & Construction(35)	1342.36	-1.0	1355.39	1374.75	1383.03	1183.77	3.31	1.57	19.31	25.35	1167.88
22 Building Matls & Merchs(30)	1763.67	-1.3	1787.40	1798.38	1821.22	1891.01	4.56	2.26	9.69	41.89	932.19
23 Chemicals(26)	2346.20	-0.4	2354.94	2351.34	2375.40	2426.03	4.51	1.16	18.79	59.10	1168.02
24 Diversified Industrials(16)	1290.08	-0.1	1288.44	1291.54	1309.60	1542.03	5.77	1.58	10.98	38.47	765.45
25 Electronic & Elect Equip(37)	1987.65	-4.4	2078.54	2097.44	2124.22	2314.21	4.08	1.27	19.33	17.22	1084.17
26 Engineering(68)	2400.31	-1.5	2436.88	2431.05	2449.96	2444.30	3.57	1.82	15.38	46.55	1512.04
27 Engineering, Vehicles(13)	2685.62	-0.8	2702.87	2674.73	2764.32	2997.92	3.82	‡	‡	54.42	1445.72
28 Paper, Pckg & Printing(27)	1904.31	-1.3	1929.49	1967.73	1989.83	2605.39	5.52	1.49	12.14	55.49	831.35
29 Textiles & Apparel(14)	1010.18	+1.2	998.00	1005.65	1032.67	1353.07	6.93	0.79	18.31	41.67	664.77
30 CONSUMER GOODS(88)	4704.72	-0.3	4719.65	4732.72	4723.73	3585.99	3.28	1.44	21.14	87.21	1816.61
32 Alcoholic Beverages(7)	3416.85	+0.2	3411.21	3415.28	3427.26	2765.01	3.88	1.50	17.18	73.93	1298.90
33 Food Producers(23)	2998.08	-0.8	3020.56	2993.89	3031.78	2510.13	3.71	1.47	18.31	66.69	1419.03
34 Household Goods(11)	3117.89	-0.3	3126.83	3124.62	3148.77	2631.42	3.33	1.85	16.19	54.13	1281.97
36 Health Care(15)	2257.83	-1.1	2281.99	2290.42	2296.22	2110.03	2.70	1.33	27.81	35.80	1424.01
37 Pharmaceuticals(16)	7720.51	-0.7	7773.69	7787.62	7694.57	5227.34	2.39	1.37	30.51	103.76	2710.02
38 Tobacco(3)	4483.01	-0.3	4507.72	4544.60	4608.50	4197.32	6.27	1.45	11.03	158.73	1198.94
40 SERVICES(274)	2589.37	-0.3	2597.87	2598.10	2616.77	2631.05	3.09	1.58	20.44	44.86	1398.58
41 Distributors(30)	2619.79	-1.4	2656.43	2673.85	2685.84	2853.89	3.56	1.55	18.12	51.33	1003.60
42 Leisure & Hotels(31)	3166.56	-0.1	3169.31	3174.76	3184.09	3181.58	2.93	1.45	23.63	67.74	1757.13
43 Media(44)	3950.05	-1.3	4000.34	4008.77	4040.23	4201.27	2.52	1.52	26.02	60.63	1467.55
44 Retailers, Food(15)	2272.14	+1.9	2230.46	2207.44	2252.87	2000.00	3.84	1.81	15.16	45.79	1512.68
45 Retailers, General(53)	2020.00	+0.3	2013.23	2007.09	2021.45	2111.05	3.51	1.66	17.63	37.34	1201.27
47 Breweries, Pubs & Rest.(22)	3174.96	-0.8	3201.21	3207.16	3224.17	3199.53	3.57	1.82	15.35	47.91	1580.96
48 Support Services(56)	3004.15	-1.2	3040.51	3055.33	3043.72	2462.34	1.72	2.04	28.48	27.27	1957.49
49 Transport(23)	2806.75	-0.6	2824.99	2833.64	2855.83	2351.02	3.56	1.09	25.83	58.31	1224.84
60 UTILITIES(31)	3054.55	-1.2	3092.83	3118.41	3113.52	2285.25	4.82	1.19	18.15	51.66	1410.92
62 Electricity(9)	3360.19	-0.8	3388.10	3389.88	3420.79	2551.85	5.29	1.59	11.88	92.77	1898.55
64 Gas Distribution(2)	2074.20	-1.4	2104.48	2099.43	2148.54	1239.99	5.88	‡	‡	54.50	1174.42
66 Telecommunications(8)	2455.95	-1.8	2501.53	2551.11	2498.67	1904.65	3.61	1.34	20.84	10.90	1184.91
68 Water(12)	2794.33	+0.2	2787.41	2791.01	2837.60	2146.24	5.80	1.82	9.33	91.57	1673.69
69 NON-FINANCIALS(675)	2250.78	-0.8	2269.67	2273.31	2284.15	1987.81	3.62	1.47	18.84	41.67	1788.25
70 FINANCIALS(106)	4392.94	-1.4	4455.55	4458.36	4465.57	2906.37	3.19	1.91	16.40	90.18	1983.77
71 Banks, Retail(10)	6775.96	-1.6	6888.00	6880.58	6853.76	4079.53	2.89	2.09	16.59	128.43	2319.09
73 Insurance(18)	1699.02	-1.1	1717.15	1728.70	1750.62	1410.84	5.03	2.09	9.52	55.06	1358.36
74 Life Assurance(7)	4821.39	-1.6	4901.04	4918.30	5014.53	3359.18	3.63	1.56	17.61	121.00	2105.99
77 Other Financial(29)	3247.82	-0.2	3252.74	3255.30	3262.36	2604.33	3.25	1.55	19.80	59.92	1934.53
79 Property(44)	1979.55	-0.7	1994.29	2004.60	2034.96	1519.11	3.28	1.06	28.84	31.81	1271.69
80 INVESTMENT TRUSTS(127)	3426.96	-0.2	3435.23	3445.11	3444.42	3110.38	2.21	0.93	46.52	43.24	1229.66
89 FTSE All-Share(910)	2236.02	-0.9	2257.42	2260.61	2269.38	1869.19	3.47	1.55	18.56	41.91	1978.57
105 FTSE All-Share ex IT(783)	2235.66	-1.0	2257.59	2260.68	2269.73	-	3.52	1.56	18.19	10.96	1017.59
FTSE Fledgling	1252.82	-0.2	1255.70	1257.62	1255.75	1238.14	3.27	0.66	47.11	22.29	1356.04
FTSE Fledgling ex IT	1253.66	-0.3	1256.98	1259.16	1257.29	1251.90	3.65	0.63	43.42	22.29	1358.78
FTSE AIM	1054.3	-0.4	1058.7	1056.1	1054.5	-	1.05	0.93	80.00†	4.10	966.71

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4798.9	4794.6	4785.7	4788.3	4785.7	4768.3	4762.5	4765.6	4765.4	4799.9	4751.9
FTSE 250	4425.8	4419.2	4414.1	4411.5	4408.0	4404.9	4401.2	4401.4	4401.0	4426.4	4400.5
FTSE 350	2303.2	2297.0	2296.9	2297.7	2296.3	2289.3	2288.6	2287.9	2283.9	2303.2	2282.6
FTSE SmallCap	2223.21	2221.59	2221.18	2220.40	2220.12	2219.83	2219.02	2218.41	2217.39	2223.30	2217.25
FTSE All-Share	2253.02	2247.24	2247.14	2247.78	2246.53	2240.06	2237.58	2238.69	2234.95	2253.02	2233.94

Time of FTSE 100 Day's high: 9:30 AM Day's low: 1:30 PM. FTSE 100 1997 High: 4768.5 (08/07/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 9:30 AM Day's low: 1:30 PM. FTSE All-Share 1997 High: 2236.00 (08/07/97) Low: 1989.78 (02/01/97)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown.
‡ Values are negative. NAME CHANGE: Abtrust New Thai IT now Aberdeen New Thai IT (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	217	502	-3
ASDA Group†	9,600	137½	+2¼
Abbey National†	2,800	845½	-31
Airtours	404	1203½	+23
Albert Fisher	1,000	44¼	-½
Alliance & Leicester†	5,400	612½	-½
Allied Domecq†	1,700	439½	-3
Anglian Water	1,200	722½	+16
Argos	171	569½	-2
Arjo Wiggins	79	166½	
Assoc. Brit. Foods†	730	549½	+1½
Assoc. Brit. Ports	736	250	-6
BAA†	2,500	564½	-15
BAT Inds.†	3,300	548½	-1½
BBA	2,000	329½	-3
BICC	123	173	-4
BOC†	781	1049½	-4
BG†	5,900	229½	-4
BP†	10,100	734	-3½
BPB	1,300	301	
BSkyB†	2,500	428½	-11
BT†	20,400	423½	-8
BTR†	8,700	193	-½
Bank of Scotland†	2,250	419½	+4½
Barclays†	2,700	1217½	-14
Bass†	4,000	768½	-2
Blue Circle†	5,300	419½	-9½
Booker	383	270	-½
Boots†	2,500	761½	+11
Britannic	29	936½	+½
Brit. Aerospace†	1,400	1333½	-11½
British Airways†	4,700	673	-6
British Biotech	2,000	201	-12½
British Energy	2,800	152½	-2½
British Land†	1,600	570	-10½
British Steel†	19,500	139½	+1½
Burmah Castrol†	857	925½	-13
Burton	28,600	125¼	+10½
Cable & Wire†	6,400	548½	-14½
Cadbury Schweppes†	1,700	553	-10½
Caradon	2,400	136½	-½
Carlton Comms.†	766	525	-2½
Centrica†	5,400	79¼	-½
Coats Viyella	633	109½	+5
Comm. Union†	1,800	656½	-13
Compass	767	635	-14
Cookson	2,100	135½	-3
Courtaulds	501	312	-½
Dalgety	15,300	222½	-39
De La Rue	222	367	-3
Dixons†	1,100	492½	-3
EMAP	193	754½	
EMI†	703	1110	-5
Electrocomps	1,300	413½	-11
Energy Group†	1,200	642½	-2
Enterprise Oil†	530	699½	-5½
FKI	2,600	147	-10½
Foreign & Col. IT	861	165½	-1¼
Gen. Accident†	1,100	306	-3½
General Elect†	21,200	353	-24½
Glaxo Wellcome†	3,600	1327½	-1
Glynwed	1,000	211	-9½
Granada†	2,500	773	-7
Grand Met†	3,000	614	+2
GUS†	1,400	598	-1½
Greenalls	387	478	-6
GRE†	1,500	267½	-6
GKN†	1,300	924½	-4
Guinness†	1,900	612½	+3
HSBC (75p shs)†	2,700	1952½	-19½
Halifax†	8,600	761½	-8
Hammerson	403	472	-14
Hanson†	1,200	292	+1
Harrisons Crosfield	247	114½	-2
Hays†	312	579	-1½
Hillsdown	2,600	159	-2
Hyder	1,300	776½	+3
IMI	894	288½	-14
ICI†	4,800	818½	-7
Imperial Tobacco†	1,200	371½	-1½
Inchcape	1,700	272½	-5
Johnson Matthey	2,600	527	+1
Kingfisher†	4,500	694½	+½
Kwik Save	165	321½	+5
Ladbroke†	1,500	241½	+1½
Land Securities†	1,300	900½	-8½
Laporte	1,600	605½	+11
Legal & General†	7,300	433	-3
Lloyds TSB†	9,100	688½	-14½
LASMO†	3,500	277½	+10
Lonrho	731	123	
LucasVarity†	4,200	197	-½
MEPC	1,000	505½	-2
MFI	682	123½	-½
Marks & Spencer†	6,500	508	-2
Mercury Asset Mant†	212	1274	-10
Morrison (Wm.)	2,000	184½	+1
NFC	1,700	128	+½
NatWest Bank†	6,600	843½	-37½
National Grid†	19,200	246	-3½
National Power†	4,100	549	-8
Next†	1,700	685½	+6
Northern Foods	4,400	205	+½
Norwich Union	11,100	322	-4
Orange†	1,100	203½	-2
Pearson†	2,600	705½	-2
P & O†	831	615	+2½
Pilkington	6,600	120	-1
PowerGen†	1,700	754	-9
Premier Farnell	1,800	452½	-2½
Provident Financial	1,200	600	+2½
Prudential†	1,800	605½	-17½
REXAM	1,300	226½	-4
RMC†	324	893½	-17
Racal	1,200	240	-1½
Railtrack†	2,500	685	+5
Rank Group†	3,800	360	+3
Reckitt & Colman†	1,400	957½	-3
Redland	5,800	291½	-9½
Reed Intl.†	1,200	575	-8½
Rentokil Initial†	3,900	212	-10½
Reuters†	4,300	591½	-12½
Rio Tinto†	2,800	1009	-12½
Rolls Royce†	11,600	221	-6
Royal & Sun Allianc†	3,700	457½	-2½
Royal Bk Scotland†	3,400	615½	-6½
Safeway†	5,200	375	+7½
Sainsbury†	4,100	388	+8½
Schroders†	130	1750	
Scottish & New.†	1,900	688	-3½
Scot. Hydro-Elect.	356	453½	+½
Scottish Power†	1,500	416½	+1
Sears	2,500	63	
Securicor	1,100	279	-4½
Severn Trent†	1,000	853½	+3
Shell Transport†	10,800	426½	-17
Siebe†	10,200	966	-4½
Slough Ests	189	311½	
Smith (W.H.)	278	349½	-4
Smith & Nephew	2,500	167¼	-2
SmKl Beecham†	7,200	1168½	-1½
Smiths Inds.†	880	727	-12½
Southern Elect	1,100	455	-10½
South West Water	43	768½	+1
Stagecoach	157	842½	+6
Standard Chartd.†	620	975	-12½
Storehouse	2,100	182	+1
T&N	365	141½	-1½
TI Group†	1,800	456½	-19
Tarmac	1,800	112	-8½
Tate & Lyle†	303	453	-2
TeleWest Comms	83	89½	-1½
Tesco†	4,000	408½	+8
Thames Water†	402	737½	
Thistle Hotels	619	142	-2½
Thorn	4,200	189½	+1
Tomkins†	10,100	289½	+10
Unigate	714	485	+2
Unilever†	1,800	1788	-6
United Assurance	107	442½	-4
United Biscuits	440	205	-3
Utd. News & Media†	1,800	686½	-16
United Utilities†	473	718½	-9
Vodafone†	4,800	293½	-5½
WPP	2,800	243	-½
Wessex Water	238	456½	+10
Whitbread†	593	774½	-16½
Williams Hldgs.	3,100	324½	-1
Wolseley†	589	445½	-8
Woolwich	29,600	301	-33
Yorkshire Water	2,200	423½	+2
Zeneca†	2,000	2020	-11½

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent.

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

INDICES

	Jul 8	Jul 7	Jul 4	1997 High		1997 Low	
Argentina							
General(29/12/77)	(u)	23468.11	23349.74	23468.11	7/7	18237.37	2/1
Australia							
All Ordinaries(1/1/80)	2679.2	2713.0	2733.4	2746.90	2/7	2382.20	1/4
All Mining(1/1/80)	831.1	867.5	896.2	987.10	24/2	831.10	8/7
Austria							
Credit Aktien(30/12/84)	438.31	434.85	432.76	438.31	8/7	374.40	9/1
Traded Index(2/1/91)	1391.40	1390.58	1388.18	1391.40	8/7	1130.22	9/1
Belgium							
BEL20(1/1/91)	2493.21	2504.47	2473.19	2504.47	7/7	1871.06	2/1
Brazil							
Bovespa(29/12/83)	(u)	13502.0	13484.0	13502.00	7/7	8655.50	2/1
Canada							
Metals Mnls†(1975)	(u)	5078.18	5158.58	5861.75	10/3	4945.86	11/4
Composite†(1975)	(u)	6529.10	6565.40	6606.09	3/7	5678.30	14/4
Portfolio§§(4/1/83)	(u)	3305.01	3338.83	3345.34	3/7	2946.82	11/4
Chile							
IGPA Gen(31/12/80)	(u)	5834.60	5865.71	5865.71	4/7	4912.42	2/1
Denmark							
CopenhagenSE(3/1/83)	609.37	605.10	603.96	609.37	8/7	470.14	2/1
Finland							
HEX General(28/12/90)	3347.51	3344.66	3333.48	3347.51	8/7	2483.28	2/1
France							
SBF 250(31/12/90)	1918.35	1925.24	1914.71	1925.24	7/7	1535.19	2/1
CAC 40(31/12/87)	2929.81	2947.66	2934.48	2947.66	7/7	2256.97	2/1
Germany							
FAZ Aktien(31/12/58)	1351.69	1336.83	1330.22	1351.69	8/7	986.21	2/1
Commerzbank(1/12/53)	3989.80	3938.10	3925.50	3989.80	8/7	2875.90	2/1
DAX‡(30/12/87)	4006.40	3972.84	3942.53	4006.40	8/7	2848.77	2/1
Greece							
Athens SE(31/12/80)	1548.18	1547.84	1504.80	1722.70	23/5	894.54	2/1
Hong Kong							
Hang Seng(31/7/64)	14782.17	14858.58	14822.97	15196.79	27/6	12065.17	3/4
India							
BSE Sens.(1978)	4306.39	4291.45	4323.82	4333.90	2/7	3225.24	2/1
Indonesia							
Jakarta Comp.(10/8/82)	740.83	738.00	736.59	740.83	8/7	631.27	15/4
Ireland							
ISEQ Overall(4/1/88)	3492.64	3471.82	3451.16	3492.64	8/7	2725.07	2/1
Italy							
Banca Comm Ital(1972)	864.45	858.92	851.94	864.45	8/7	642.58	2/1
MIB General(2/1/97)	1299.0	1290.0	1280.0	1299.00	8/7	991.00	2/1
Japan							
Nikkei 225(16/5/49)	19853.89	19705.17	19958.00	20681.07	16/6	17303.65	10/1
Nikkei 300(1/10/82)	290.50	289.71	293.56	302.54	26/6	251.04	27/1
Topix(4/1/68)	1500.48	1497.10	1515.17	1560.28	26/6	1320.82	10/4
2nd Section(4/1/68)	1808.16	1807.08	1825.70	1848.25	30/6	1618.50	15/4
Malaysia							
KLSE Comp.(4/4/86)	1057.77	1060.53	1073.31	1271.57	25/2	1041.27	15/5
Mexico							
IPC(Nov 1978)	(u)	4741.24	4644.60	4741.24	7/7	3359.48	2/1
Netherland							
CBS TtlRtnGen(End 83)	1081.4	1088.2	1077.2	1088.20	7/7	730.80	2/1
CBS All Shr(End 83)	624.8	628.8	622.4	628.80	7/7	429.00	2/1
New Zealand							
Cap. 40(1/7/86)	2507.34	2513.78	2525.65	2526.65	4/7	2207.48	1/4
Norway							
Oslo SE(Ind)(2/1/83)	2098.82	2102.02	2100.75	2102.02	7/7	1839.03	2/1
Philippines							
Manila Comp(2/1/85)	2868.66	2753.15	2758.96	3447.60	3/2	2488.38	20/5
Portugal							
BVL 30(4/1/93)	3438.32	3396.14	3339.38	3438.32	8/7	2185.57	2/1
Singapore							
SES All-S'pore(2/4/75)	501.38	498.14	493.75	573.03	17/2	479.94	29/4
South Africa							
JSE Gold(28/9/78)	923.7♥	903.9	952.1	1588.10	27/2	903.90	7/7
JSE Ind.(28/9/78)	8766.3♥	8743.0	8801.9	8832.50	2/7	7069.50	2/1
South Korea							
KoreaCmpEx**(4/1/80)	767.74	773.51	781.70	792.29	17/6	611.05	7/1
Spain							
Madrid SE(30/12/85)	623.79	628.15	625.79	628.15	7/7	434.64	2/1
Sweden							
AffarsvardnGen(1/2/37)	3163.5	3154.8	3114.3	3163.50	8/7	2378.50	2/1
Switzerland							
SMI Index(1/7/88)	6012.6	5947.0	5846.5	6012.60	8/7	3922.90	7/1
SPI General(1/6/87)	3768.79	3729.03	3678.86	3768.79	8/7	2508.22	6/1
Taiwan							
WeightedPr.**(30/6/66)	9305.27	9322.84	9182.57	9322.84	7/7	6844.75	6/1
Thailand							
Bangkok SET(30/4/75)	614.19	639.03	657.09	858.97	22/1	464.77	19/6
Turkey							
IMKB Nat 100(1986)	1911.00	1953.00	1918.00	1953.00	7/7	995.08	2/1
WORLD							
MS Capital Intl$(1/1/70)	962.1*	961.8	962.6	965.40	7/7	794.50	14/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	2653.83	2637.25	2618.41	2653.83	8/7	1983.80	2/1
FTSE E 100(26/6/90)	2222.34	2227.21	2216.28	2227.25	7/7	1582.98	2/1
HSBC JC Dgn(31/12/88)	(u)	422.69	422.80	429.45	23/1	381.54	25/4
ING Brngs Emg(7/1/92)	(u)	195.83	195.27	195.83	7/7	159.74	3/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x index)							
Jul	2950.0	2937.0	-18.0	2955.0	2918.0	8,306	31,852
Aug	2958.0	2945.0	-18.0	2958.0	2939.0	38	2,912
DAX							
Sep	4010.0	4050.0	+30.0	4056.5	4002.0	21,353	85,297
Dec	4041.0	4078.0	+28.5	4077.5	4040.5	52	1,716
OMX							
Jun	2530.00	2543.00	+4.00	2555.00	2530.00	2,049	24,600
Jul	2564.05	2550.00	+10.25	2564.05	2550.00	178	1,494
SOFFEX							
Jul	5985.0	6017.5	+57.69	6026.9	5965.0	3,995	22,854
Aug	5999.0	6027.0	+123.5	6000.0	5999.0	60	2,272

US INDICES

Dow Jones	Jul 7	Jul 3	Jul 2	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7858.49	7895.81	7795.38	7895.81 (3/7)	6331.69 (11/4)	7895.81 (3/7/97)	41.22 (8/7/32)
Home Bonds	103.75	103.47	103.23	103.75 (7/7)	101.09 (14/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2812.21	2797.60	2787.86	2812.21 (7/7)	2222.07 (2/1)	2812.21 (7/7/97)	13.23 (8/7/32)
Utilities	231.24	232.77	230.97	240.85 (22/1)	209.47 (25/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7883.79 (7952.35) Low 7805.33 (7805.79) (Theoretical‡)
Day's high 7951.45 (7896.26) Low 7826.18 (7796.97) (Actual‡)

Standard and Poors							
Composite‡	912.20	916.92	904.03	916.92 (3/7)	737.01 (2/1)	916.92 (3/7/97)	4.40 (1/6/32)
Industrials♥	1072.61	1077.04	1062.44	1077.04 (3/7)	865.42 (11/4)	1077.04 (3/7/97)	3.52 (30/6/32)
Financial	104.67	105.75	103.80	105.75 (3/7)	80.75 (2/1)	105.75 (3/7/97)	7.13 (4/9/74)
NYSE Comp	475.55	477.68	471.71	477.68 (3/7)	389.47 (11/4)	477.68 (3/7/97)	4.64 (25/4/42)
Amex Comp.	631.97	634.34	630.06	634.34 (3/7)	541.20 (28/4)	634.34 (3/7/97)	524.20 (16/7/96)
NASDAQ Cmp	1470.74	1467.61	1455.61	1470.74 (7/7)	1201.00 (2/4)	1470.74 (7/7/97)	54.87 (3/10/74)

■ RATIOS

	Jul 3	Jun 27	Jun 20	Year ago
Dow Jones Ind. Div. Yield	1.63	1.67	1.65	2.22
	Jul 2	Jun 25	Jun 18	Year ago
S & P Ind. Div. yield	1.58	1.62	1.59	1.87
S & P Ind. P/E ratio	24.75	24.35	24.27	22.29

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Barrick Gld	6,532,500	20¼	-1⅛
Placer Dome	6,127,300	14	-2¼
GEC	5,791,900	69⅝	+½
Office Dep	5,511,500	16½	...
Ph Morris	5,370,900	44⅝	-¼
AT &T	5,233,000	36⅝	+¼
Micron Tech	5,191,800	41¾	+1⅜
Compaq	5,073,500	114½	+5⅝
Tandem	3,965,200	23¼	+1⅛
Tel de Mex	3,930,800	51⅝	+2¼

■ TRADING ACTIVITY

● Volume (million)	Jul 7	Jul 3	Jul 2
New York SE	522.627	374.580	526.784
Amex	27.124	16.766	24.218
NASDAQ	553.018	376.459	631.492
NYSE			
Issues Traded	3,407	3,313	3,388
Rises	1,472	1,985	1,847
Falls	1,400	754	967
Unchanged	535	574	574
New Highs	510	544	385
New Lows	31	7	13

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Sep	919.00	918.35	+1.00	920.00	918.50	62,520	177,313
Dec	-	926.00	-	-	-	223	5,026

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Sep	19770.0	19920.0	+150.0	19970.0	19750.0	19,616	187,246

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, July 8, 1997

	Stocks Traded	Closing Prices	Change on day
Sakura Bank	4.6m	782	-23
NKK Corp	4.0m	229	-1
Fujitsu	4.0m	1540	+20
Nippon Steel Cp	3.4m	352	+4
Asahi Breweries	3.3m	1760	+60
Mitsubishi Hvy	3.3m	873	+4
Nissan Motor	2.9m	854	+7
Aoki Corp	2.7m	113	+6
Sakai Heavy Ind	2.6m	721	-6
Ind Bk of Japan	2.6m	1570	-40

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $

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NEW YORK STOCK EXCHANGE PRICES

4 pm close July 8

- A -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
33⅞	24⅛	AAR	0.48	1.4	26	335	33¾	33⅜	33⅝	+⅜
44⁹⁄₁₆	33⅛	AMP	1.04	2.3	36	5246	u45¼	43⅞	45⁹⁄₁₆	+1⁷⁄₁₆
103¾	78¼	AMR			7	3753	98⅞	95⅛	95⅞	-1¼
37⅞	29⅞	ASA	1.20	4.0	19	613	30⅛	d29⅝	30	+¼
68⅞	49⅞	AbbtL	1.08	1.6	27	4978	67⅞	67⅟₁₆	67¹¹⁄₁₆	+⅝
18⅝	14⅛	AbitibiPr	0.40	2.3	9	20	17¾	17¾	17¾	
20	17⅞	ABM Ind	0.40	2.0	18	371	u20¼	20	20¼	+¼
23½	17¾	Acptacelo			12	228	u23⅝	22⅞	23⅝	+¼
77¾	58⅛	ACE Ltd x	0.88	1.1	12	727	77¼	76⅝	77¼	+⅜
10¾	10	ACM Gvt In x	0.90	8.6	11	248	10½	10⅜	10½	+⅟₁₆
7¾	7	ACM GvOpp x	0.63	8.1		64	u7¾	7¾	7⅞	+⅟₁₆
9⅞	9⅛	ACM Man x	0.90	9.1		206	u9⅞	9⅞	9⅞	
10⅞	6¼	Acme Elect				71	6⅞	6½	6½	+⅛
20	13	Acme Mets				39	16¾	16⅝	16¾	+¼
20	14	ACNielsen			36	2117	u20⅛	19¾	20⅛	+⅛
40⅛	27¼	Acordia	0.80	2.0	19	12	u40⅛	39¾	40	+⅛
29¾	21⅛	Acuson				2301	21⅞	21½	21¾	-⅟₁₆
24	18⅜	Adams Expr	0.55	2.3	1	278	u24	23¹³⁄₁₆	24	+¼
48½	24⅞	AdvMic				27083	39¾	38⅜	39⅛	+1⅛
27½	10⅞	Advest Grp x	0.12	0.5	17	229	23½	23	23⁵⁄₁₆	-⅟₁₆
16⅞	11⅞	Advo Inc			19	236	16⅞	16⅛	16⁷⁄₁₆	+⅜
76⅝	61⅛	Aegon§	1.31	1.8	20	4106	73⅞	72⅝	73⅛	-⅟₁₆
5⁷⁄₁₆	3⅛	Aeroflex				348	4½	4⅜	4½	

- B -

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Continued on next page

NYSE PRICES

4 pm close July 8

Continued from previous page

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Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise stated, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. ex-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
¶ Dealings suspended.

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NASDAQ NATIONAL MARKET

4 pm close July 8

[illegible]

AMEX PRICES

4 pm close July 8

[illegible]

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3.25		2000	8.25	3.25	Lernout & Hauspie	US$28.875	-0.250	3000	29.375	25
Artwork Systems	US$9.875	-0.250	32000	11.125	9.5	Mercer Int'l	US$8.625		0	11.75	8.125
Chemunex	FFr14.5		102135	18	14	NTL	US$24.375	-0.750	8000	25.125	24.875
Dr Solomon's ADS	US$27.625	+0.875	7000	28.75	18.875	PixTech	US$3.875		25000	6.125	3.875
Esprit Telecom ADS	US$8.250	+0.375	0	12.25	5.375	Schoeller-Bleckmann	Sch885	-10	8720	1020	900
Innogenetics	US$11.375		6000	12.75	10.375						

Prices for 8/7/97. Please note that mid prices are now used to calculate highs and lows.
Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
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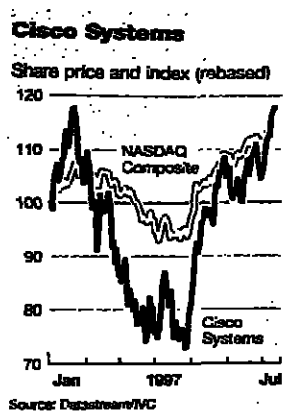
FINANCIAL TIMES Wednesday July 9 1997

US shares well up at midsession

AMERICAS

Wall Street opened with strong buying which enabled blue chips to rebound from Monday's losses and sent technology stocks up to fresh peaks, *writes John Labate in New York.*

By midsession the Dow Jones Industrial Average had gained 61.98 at 7,920.47. The broader Standard & Poor's 500 Index rose 4.36 at 916.56.



"It's hard to see where the momentum is coming from," said Ms Gail Dudack of UBS Securities. With the bond market weak in morning trading and quarterly earnings not expected to hit their stride until next week, most commentators were at a loss to pinpoint the reason for the upward progress. Volume was on the light side through the morning.

Blue-chip stocks had many gainers by early afternoon, leading with DuPont, which had gained 1\frac{13}{16}$ at 64\frac{7}{16}$ and Walt Disney, up $2 at $78. International Paper surged $1⅝ at 52\frac{15}{16}$. Goodyear gained 1\frac{1}{16}$ at 64\frac{1}{16}$.

MCI lost $⅛ at $42⅞ following news of regulatory approval of its purchase by British Telecom. Rival AT&T was also down $¼ at $36½.

As the earnings season approaches, the Big Three car makers also enjoyed price gains. Ford Motor was up $$\frac{11}{16}$ at $40¼ while Chrysler rose $$\frac{11}{16}$ at $34½.

Technology stocks were up strongly in Tuesday trades as the Nasdaq composite index gained 8.96 at 1,479.70. Leading the way were internet company Amazon.Com which rose $2 or 8.3 per cent at $26 and Compaq Computer, up $3⅞ at $118⅝. Semiconductor producer Intel rose $1⅝ at $149.

Computer networking stocks, such as Cisco Systems, 3Com and Bay Networks, have continued a rebound after lower prices earlier this year. The sector's leader, Cisco Systems, gained $¾ at $74⅝.

Gold mining companies rebounded sharply following lower prices triggered by news of the sale of gold reserves by the Australian Central Bank. Barrick Gold rose $⅞ at $21⅛ while Newmont Mining increased by $$\frac{13}{16}$ at $36⅞.

TORONTO rallied, underpinned by a recovery for gold shares and a sharp bounce for Newbridge Networks following upbeat contract news. At noon, the 300 composite index was 18.18 higher at 6,547.30.

Newbridge Networks surged C$2.45 or more than 4 per cent to C$67.05 after winning a contract to supply Maritime Telegraph and Telephone of Nova Scotia with equipment for a province-wide frame relay network.

Golds also gained significant ground. Barrick added C$1.40 at C$29.20 and Placer Dome rose 20 cents to C$19.45 following a recovery for the bullion price.

Mexico City moves up

MEXICO CITY continued to gain ground as the market's post-election enthusiasm showed no obvious signs of diminishing. Sunday's election result was seen by dealers as ushering much needed political changes. "There's a lot of confidence around at present. The strong start on Wall Street is also helping," said one broker.

Telmex rose 10 centavos to 20.70 pesos helped by a strong performance for the ADRs in New York, while financial group BBV-Probursa gained 11 centavos to 2.47 pesos. The IPC index, up 2.1 per cent on Monday, was 21.40 higher at 4,762.64 at midsession yesterday.

CARACAS fell back after hitting record highs during the previous four sessions. At midsession yesterday, the IBC index was off 182.598 or 1.9 per cent at 9,333.23.

SAN PAULO moved lower, running up midsession losses of 114 to 13,388 on the Bovespa index.

SANTIAGO made modest progress in spite of talk of dull results when the second-quarter earnings season gets underway early next month.

Chilgener came off 0.8 per cent to 172 pesos and pulp maker Copec dipped 0.5 per cent to 2,130 pesos. The IPSA index was 0.14 higher at 136.14 at midsession.

Golds push S Africa higher

Shares in Johannesburg rallied modestly on the back of a recovery in the bullion price which sparked a rebound for the golds sector. At the close, the all-share index was up 17.1 at 7,310.3.

Industrials rose 23.2 to 8,766.3 in good volume, but the main focus of the session was again in golds where the index recovered 2.2 per cent after bullion clawed back above $320.

Against a late February high of 1,588.1, the golds index ended 19.8 higher at 923.7.

Among industrials, CNA-Gallo jumped 54 cents or 14 per cent to R4.40 on talk of a bid from retailer Pick'n Pay which added 20 cents at R720.

Lenco Holdings fell 95 cents to R5.40 after talks with Malbak were abandoned.

Zurich presses through 6,000 to new peak

EUROPE

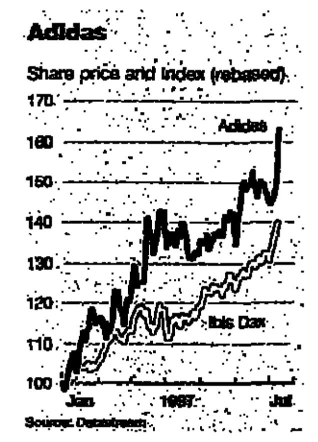
Derivatives-linked buying, the stronger dollar and the favourable interest rate outlook enabled **ZURICH** to power its way through the 6,000-point level on the SMI index for the first time. The index peaked at a day's high of 6,027.8 before settling back with a rise of 65.6 at an all-time closing high of 6,012.6.

. Roche certificates were star performers after breaking through resistance at SFr14,000 on Monday. The issue closed SFr580 higher at SFr14,585, helped by a Merrill Lynch upgrade.

Financials were also in focus as analysts adjusted a number of individual recommendations and as Morgan Stanley recommended a wholesale switch from German to Swiss banks.

Winterthur jumped SFr68 to SFr1,404 amid renewed rumours that the insurer and CS Group planned to reinforce their business links.

CS Group added SFr5.75 at SFr209.25 as Zuercher Kantonalbank upgraded the stock. It said that the favourable interest rate environment had led to an enormous rise in stock exchange turnover and that commissions, service and trading – accounted for 76 per cent of gross profits at CS, substantially higher than the percentage at UBS or SBC.



UBS rose SFr11 to SFr1,740 in spite of a downgrade from ZKB on the view that the bank had already outperformed the market this year and that it had seen only limited success in gaining a foothold in the difficult US market.

FRANKFURT remained on its record-setting roll as a strong dollar and Wall Street's early strength kept the Dax index well above the key 4,000 point level, first breached on Monday. The Ibis-indicated Dax rose 23.70 to 4,030.10.

Adidas led the rally, closing up DM16.15 at DM217 on comments by the chairman, Mr Robert Louis-Dreyfus, that the company expected to list in New York in the second half of 1998 and that it was seeking admission to the Dax 30 index.

Karstadt lost DM23.80 to DM613.50 on the view that it could be the candidate to lose its place in the blue chip Dax.

Dresdner Bank, which rose almost 4 per cent in floor trade on renewed speculation that it planned closer co-operation with Allianz, ended the Ibis session up 90 pfg at DM65.95. Allianz, which holds a 22 per cent stake in Dresdner Bank, rose DM12.80 to DM418.

BMW rose DM23.35 to DM1,500 on reports, denied by the company, that Chrysler wanted to buy its Rover unit's small car operations.

Analysts commented that since Chrysler already co-operated with BMW in an engine plant in Brazil, the rumours might have some factual basis. VW continued on its upward path, picking up another DM44.50 at DM1,460.

Munich Re shed a further DM12 to DM5,483 on profit-taking following very large gains last Friday on news of the merger of its Hamburg-Mannheimer unit with Victoria.

PARIS moved lower in dull turnover. Motor stocks were a strong feature and Thomson CSF managed an impressive bounce, but the broad market steamed steadily downwards throughout the session. The CAC 40 closed off 17.85 at 2,929.81 in volume of 10.4m shares.

FTSE Actuaries Share Indices

Jul 8							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2649.50	2650.99	2650.53	2651.47	2650.98	2652.82	2653.94	2653.83
FTSE Eurotrack 200	2629.13	2630.09	2629.52	2632.27	2628.74	2628.13	2627.09	2626.43

	Jul 7	Jul 4	Jul 3	Jul 2	Jul 1
FTSE Eurotrack 100	2637.25	2618.41	2593.64	2585.92	2537.85
FTSE Eurotrack 200	2618.85	2614.16	2596.80	2549.31	2523.07

Base value 1000 (26/10/90) Highday: 100 - 2655.22; 200 - 2635.30 Lowday: 100 - 2648.42 200 - 2623.30. † Partial.

Press comment sparked a revival of merger speculation among motors. Trading conditions in the home market, where Renault and Peugeot are deeply entrenched, continue to deteriorate and the case for a link between the two groups is seen by most French analysts as little short of overwhelming.

Both shares have savagely underperformed this year, notably Peugeot which has trailed the market by 16 per cent over the past three months. Renault jumped FFr3.10 to FFr143.70 yesterday and Peugeot gained FFr9 to FFr579. Michelin added FFr10.80 or 3 per cent at FFr376.80.

Thomson CSF rose FFr5.30 or 3.2 per cent to FFr172.90 as some investors came to the view that the sale of the government's stake in the group may soon be back on the agenda. Eurotunnel added 30 centimes at FFr8.50 ahead of today's shareholders' meeting to vote on the company's planned debt restructuring.

AMSTERDAM ran into profit-taking and would have suffered a fairly significant shakeout but for strong performances from financial giants, ING and ABN-Amro.

News of the $2.2bn takeover of Equitable of Iowa, a US life insurance group, sent ING spinning upwards by Fl 6.30 or 6.6 per cent to Fl 101.90.

The move, which is earnings enhancing from the outset, is seen by analysts as a precursor of further expansion by ING in North America. The shares were heavily traded with 8.1m changing hands.

ABN-Amro stayed firmly on the upside as talk of a bumper earnings statement next month continued to do the rounds. The shares rose 60 cents to Fl 41.40 for a four-day gain of 4.5 per cent. Royal Dutch, one of this year's faster-moving Dutch leaders, came off Fl 4.10 or 3.6 per cent to Fl 109.90.

At the close the AEX index was 0.81 lower at 918.04.

MILAN saw further action in the banking sector on an otherwise mixed day. The Comit index was 5.54 higher at 864.46 while the real-time Mibtel index dipped 30 to 13,774.

San Paolo rose strongly to new highs for the year, boosted by press talk about the new management's plans. The shares peaked at L14,100 before easing back to close L670 higher on the day at L13,936.

Elsewhere in the sector, Ambroveneto which made strong gains last week gave up L160 to L5,993 while Credito Italiano remained in demand, rising L115 to L3,564.

Records were set in a number of other centres.

VIENNA's ATX index closed at a seventh consecutive record high; **COPENHAGEN's** KFK index set its sixth all-time high for the month, and 40th for the year; **HELSINKI's** Hex index was at a sixth straight peak; and **LISBON's** PSI20 index climbed to an all-time high.

Written and edited by Michael Morgan and Jeffrey Brown

Exporters recoup losses to lead rally in Nikkei

ASIA PACIFIC

Tokyo rallied in response to a rebound for the dollar to the Y113 level which encouraged bargain-hunting among blue-chip exporters, *writes Gwen Robinson.*

The Nikkei 225 average rose 148.72 to 19,853.89 after moving between 19,731.97 and 19,926.79.

Trading remained thin as foreign investors stayed out of the market for summer holidays or switched to the sell side. Volume edged down to one of the lowest levels recorded this year, slipping from Monday's 267m shares to an estimated 257m.

However, domestic investors displayed more confidence in export-oriented issues following the dollar's recovery against the yen, and sought blue-chip exporters as well as domestic demand-driven issues.

Traders said the market's recent consolidation has not yet bottomed out. With the exception of banking issues, however, investors appear to have digested Friday's collapse of Tokai Kogyo, a medium-sized general contractor.

The news sent construction-related stocks and banks into a tailspin on Monday as the market was reminded of the mountain of bad debt unsettling many Japanese corporations and financial institutions.

Advances narrowly led declines 545 to 498 with 189 unchanged. The Topix index of all first-section stocks rose 3.38 to 1,500.48 and the capital-weighted Nikkei 300 was up 0.79 at 290.50.

In London, the ISE/Nikkei 50 index rose 2.32 at 1,587.59.

Blue-chip exporters reversed their recent downward course. Sony gained Y100 to Y9,760, TDK Y40 to Y8,440 and NEC Y40 to Y1,570. Honda rose Y80 to Y3,300 and Toyota Y10 to Y3,200. Nikon rose Y30 to Y1,790 but Canon fell prey to profit-takers, falling Y30 to Y3,080.

Domestic investors sought domestic demand-driven issues, including breweries which have seen sales surge in the recent hot weather. Asahi Breweries climbed Y60 to Y1,760, Kirin Brewery Y20 to Y1,190 and Sapporo Breweries Y1 to Y929.

Pharmaceuticals generally fared well. However, Daiichi Pharmaceutical, which has suffered from recent disclosures that nearly 100 people died from the side-effects of one of its cancer treatments, fell Y20 to Y1,990.

Banks were the day's biggest losers, falling more than 1.1 per cent as a sector. Sumitomo Bank fell Y20 to Y1,750, Industrial Bank of Japan Y40 to Y1,570 and Sanwa Bank Y60 to Y1,540.

In Osaka, the OSE average rose 60.67 to 20,794.08 and volume eased to 12m shares.

BANGKOK continued to slide on profit-taking and currency worries. The SET index, which surged almost 25 per cent in three sessions following last week's move to float the baht, came off 18.84 to 614.19 for a two-day decline of 6.6 per cent.

Dealers said the baht's continued weakness was raising concern for currency losses in the Thai corporate sector. TelecomAsia fell Bt3.75 to Bt34.25 and Shinawatra Computer came off Bt21 to Bt191.

Thai Airways, a big dollar earner and a major beneficiary of devaluation, rose Bt2 to Bt57. The shares have doubled in value since late June.

MANILA was hit by currency volatility and the composite index fell 54.49 or 1.9 per cent to 2,698.66. The pressure on the peso, which sparked a jump to 30 per cent for money market rates on Monday, was said to have been the main spur to the profit-taking.

Philippine National Bank came off 11 pesos to 165 pesos. PLDT gained 15 pesos to 915 pesos and Empire East Land rose 35 centavos to 4.55 pesos on rumours that the company was planning a share buy-back.

SYDNEY closed lower with investors continuing to sell gold and major resource companies with gold operations. The All Ordinaries index fell 33.8 to 2,679.2.

The gold index ended off 82.2 or 6.4 per cent at 1,193.3, its lowest level since March, 1993. Plutonic fell 48 cents or 12.4 per cent to A$3.40 and Newcrest was down 38 cents or 12.6 per cent at A$2.64.

HONG KONG turned back as concerns over the outlook for neighbouring markets and uncertainty over the new government's future land supply policy soured the mood. The Hang Seng index lost 66.41 to 14,792.17 in robust turnover of HK$17.6bn.

Utilities were the worst performing blue chips followed by the commercial and industrial sectors.

HSBC pulled back HK$1 at HK$244. The shares registered a record intraday high of HK$247 on Monday, up 49 per cent since the start of the year, and sharply outperforming the index. Analysts said, however, that the shares were fully valued at their current price and were likely to perform in line with the broader market up to the end of the year. Red chips dominated the day's trading and the Hang Seng Cina Affiliated Corporations index lost 3.6 per cent, largely reflecting weakness in mainland China markets.

SHENZHEN's Hong Kong dollar denominated B index of shares available to foreign investors tumbled 6.38 or 5 per cent to 121.30, badly hurt by a weak debut from Bengang Steel Plates, which was the year's first stock to close its first day of trading at a discount to its offer price. The steel group ended at HK$2.35 against an offer price of HK$2.38, after a day's low of HK$1.90. **SHANGHAI's** hard currency B index followed suit with a fall of 2.841 or 3.8 per cent at 71.304.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS	MONDAY JULY 7 1997								FRIDAY JULY 4 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	237.85	-1.4	209.32	168.36	215.75	212.84	-0.7	3.62	241.31	211.87	173.34	220.03	214.33	243.87	188.44	200.88
Austria (25)	202.96	0.8	178.61	144.17	184.10	184.00	0.2	1.79	201.44	176.85	144.70	183.68	183.56	202.98	174.70	182.65
Belgium (29)	261.11	1.6	229.79	185.48	236.85	231.79	1.1	2.95	256.99	225.74	184.80	234.33	229.35	261.11	208.70	211.18
Brazil (30)	317.30	0.1	279.24	225.39	287.82	629.43	0.1	1.16	316.99	278.46	227.71	289.04	628.71	317.30	170.26	183.83
Canada (127)	213.52	-0.9	187.91	151.67	193.68	212.56	-0.8	1.71	215.36	189.18	154.70	196.38	214.29	215.49	154.12	180.01
Denmark (32)	398.69	1.1	350.87	283.20	361.65	360.21	0.6	1.42	394.40	346.45	283.31	359.62	358.19	398.69	303.10	304.33
Finland (28)	297.71	0.9	262.00	211.47	270.05	324.39	0.4	1.69	294.91	259.05	211.84	268.90	322.96	297.71	186.67	192.91
France (84)	237.57	1.0	209.08	168.76	215.50	219.23	0.4	2.39	235.27	206.67	169.01	214.53	218.27	237.57	186.94	195.51
Germany (59)	226.42	1.4	199.26	160.83	205.38	205.38	0.8	1.38	223.41	196.25	160.48	203.71	203.71	226.42	168.70	172.19
Hong Kong (66)	520.23	-0.2	457.83	369.54	471.90	517.10	-0.2	2.93	521.11	457.76	374.33	475.16	518.00	539.63	407.55	434.64
Indonesia (27)	253.86	0.0	223.41	180.32	230.27	378.59	0.0	1.71	253.90	223.03	182.38	231.51	378.72	253.90	183.62	203.61
Ireland (17)	365.99	1.4	322.09	259.97	331.99	338.30	1.1	2.84	360.94	317.06	259.27	329.11	334.60	365.99	270.08	283.09
Italy (56)	99.63	1.9	87.68	70.77	90.38	126.53	1.6	1.95	97.74	85.85	70.21	89.12	124.57	99.63	73.26	82.48
Japan (485)	136.77	-0.1	120.37	97.15	124.07	97.15	-1.2	0.81	136.92	120.27	98.35	124.84	98.35	153.02	107.57	153.02
Malaysia (107)	503.49	-1.3	443.11	357.65	456.72	489.59	-1.3	1.40	510.10	448.09	366.42	465.13	495.96	680.85	503.49	561.07
Mexico (27)	1689.75	2.9	1487.08	1200.29	1532.77	14593.31	2.0	1.27	1642.62	1442.92	1179.95	1497.79	14301.20	1689.75	1110.35	1190.90
Netherland (19)	425.66	1.6	374.61	302.36	386.12	381.50	1.0	2.04	419.16	368.20	301.09	382.20	377.62	425.66	279.88	295.22
New Zealand (14)	95.38	-1.1	83.94	67.75	86.52	75.07	-0.7	3.87	96.47	84.74	69.30	87.96	75.60	96.47	79.04	81.61
Norway (41)	326.60	0.6	287.43	232.00	296.26	323.33	0.3	1.90	324.69	285.22	233.23	296.06	322.34	326.60	246.04	253.74
Philippines (22)	164.99	0.2	145.20	117.20	149.66	217.11	0.2	0.96	164.73	144.71	118.33	150.21	216.73	219.41	148.37	219.41
Singapore (42)	398.00	1.8	350.26	282.71	361.02	263.29	1.7	1.16	391.16	343.60	280.98	356.67	258.94	448.01	360.08	411.61
South Africa (44)	354.08	-1.6	311.61	251.52	321.19	351.16	-1.3	2.47	359.67	315.95	258.36	327.96	355.92	370.12	301.49	383.30
Spain (33)	276.05	1.1	242.94	196.08	250.40	308.13	0.5	2.15	273.14	239.93	196.20	249.06	306.73	276.05	171.91	179.94
Sweden (49)	504.77	1.7	444.23	358.56	457.88	576.46	1.5	1.79	496.43	436.08	356.60	452.66	567.71	504.77	334.35	351.09
Switzerland (33)	327.72	2.2	288.41	232.79	297.27	295.88	1.5	1.14	320.56	281.59	230.27	292.30	291.45	327.72	231.69	242.38
Thailand (42)	63.02	-8.8	55.46	44.76	57.16	70.51	-8.5	4.36	69.09	60.69	49.63	63.00	77.09	172.32	47.55	172.32
United Kingdom (213)	317.40	-0.3	279.33	225.46	287.91	279.33	-0.1	3.59	318.42	279.71	228.73	290.34	279.71	319.10	229.63	235.76
USA (644)	369.21	-0.4	324.93	262.26	334.91	369.21	-0.4	1.67	370.81	325.73	266.36	338.11	370.81	370.81	254.79	287.50
Americas (828)	338.13	-0.4	297.58	240.19	308.72	284.70	-0.4	1.66	339.53	298.25	243.90	309.59	285.90	339.53	233.09	244.61
Europe (718)	282.11	0.8	248.27	200.39	255.90	260.77	0.6	2.45	279.76	245.75	200.96	255.10	259.28	282.11	204.71	211.44
Nordic (150)	427.68	1.4	376.38	303.80	387.95	424.69	1.1	1.73	421.88	370.59	303.05	384.68	420.01	427.68	291.45	302.49
Pacific Basin (881)	154.89	-0.2	136.31	110.02	140.50	111.79	-1.0	1.27	155.26	136.38	111.53	141.57	112.96	168.27	127.18	168.27
Euro-Pacific (1599)	208.00	0.4	183.05	147.75	188.67	167.81	-0.1	1.94	207.23	182.04	148.86	188.96	168.02	208.00	173.55	184.98
North America (771)	359.56	-0.5	316.44	255.41	326.16	358.75	-0.5	1.67	361.19	317.28	259.45	329.34	360.36	361.20	248.65	280.92
Europe Ex. UK (505)	256.23	1.5	225.50	182.01	232.42	243.81	1.0	1.82	252.47	221.77	181.36	230.21	241.46	256.23	185.66	193.01
Pacific Ex. Japan (396)	311.97	-0.7	274.55	221.60	282.99	275.60	-0.5	2.71	314.05	275.87	225.59	286.36	276.85	320.65	268.97	288.63
World Ex. US (1827)	211.77	0.3	186.37	150.43	192.09	174.74	-0.1	1.92	211.13	185.46	151.66	192.51	175.01	211.77	176.94	186.31
World Ex. UK (2258)	256.54	0.0	225.77	182.23	232.71	225.49	-0.3	1.61	256.56	225.37	184.30	233.94	226.18	256.60	199.58	208.90
World Ex. Japan (1986)	325.84	0.0	286.76	231.45	295.57	314.81	-0.1	1.89	325.93	286.30	234.12	297.19	315.23	325.93	233.10	243.42
The World Index (2471)	261.79	0.0	230.39	185.96	237.46	230.58	-0.3	1.80	261.89	230.05	188.12	238.80	231.23	262.25	202.32	211.29

Latest prices were unavailable for this edition.